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OF THE YEAR

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Israeli offer on
deportees if
uprising is halted

Israeli prime minister Yitzhak Rabin said the 415 Palestinian deportees stranded in Lebanon could return home early if the Palestinian uprising in the occupied territories was halted for nine months.

The offer came on the day Israel said it opposed a fresh Red Cross appeal for the provision of humanitarian aid to the deportees. Page 3; Israel passes jobs budget, Page 3

Top level goodbyes: President George Bush arrives in Moscow this evening for a farewell summit meeting with Russian president Boris Yeltsin to be capped by the signature of an historic agreement cutting the US and Russian nuclear arsenals by around two thirds. On his way home, Mr Bush, who has been visiting US troops in Somalia, will stop in Paris and try to persuade President Francois Mitterrand to back a tough UN resolution allowing the enforcement of the no-fly zone over Bosnia. Page 3; US cautions Somali clans, Page 3; Picture, Page 22

NatWest: About 1,500 staff have taken personality tests in the selection process for the bank's new life insurance sales subsidiary. Page 22

Miyazawa looks away from US

Japanese prime minister Kiichi Miyazawa (left) said the country must concentrate on developing its political role in Asia, signalling that Tokyo will increasingly pursue policies independent of the US. He said Asia would be "the world's brightest spot over the next century", and Japan must cultivate its own policies to take advantage of the changes in the region. Page 3

Serbia isolated: The warlords and political masters of the rival forces in the former Yugoslavia prepared for peace talks in Geneva today as international opinion hardened against Serbia. Page 22; Faction leaders gather, Page 2

Coal contrast: Cabinet papers for 1993 released yesterday show a contrast between the Macmillan administration's attitude to pit closures 30 years ago and the programme of cuts announced by the government in October. Page 22; Details, Page 4

Twelve into one: The European Community became a 12-nation single market but was forced to concede that the free movement of people, goods, capital and services was not yet a reality. Page 2; Truckers wary of freedom, Page 2

Fire kills two: Two people were killed and a third injured in a fire at a home for asylum-seekers near Stuttgart in south west Germany. The cause was not known. Arson attacks on hostels for asylum-seekers have been a hallmark of recent right-wing violence.

Thomson, UK's biggest tour operator, estimated holidaymakers had spent about £76m in the first three days this week on summer bookings - about 50 per cent up on last year. Page 4

Banque Indosuez, the French investment bank which has been a prominent casualty of the Paris property crisis, has concluded a FF600m (£72m) sale and leaseback deal for its headquarters with an unnamed French bank. Page 9

Drugs go-ahead: Three products from three British drug companies - SmithKline Beecham, Boots and Fisons - have been approved for sale in the US. The move could bring in combined revenues of \$1.5bn (£280m) a year by 1998. Page 8

FT-SE ends year on a high note

The London stock market moved confidently to the close of trading for 1992. Optimistic messages from British industry lifted the FT-SE index on New Year's Eve to within a couple of points of the year's high, at 2,846.5 for a gain of 14 points. On Wall Street trading ended quietly on New Year's Eve, with computer-guided program selling pushing the Dow Jones Industrial Average down 19.99 to 3,901.11. London stocks, Page 13; US stocks, Page 19; Weekend, Page 11

Arnotts, Australian biscuit maker, said it would appeal against a court ruling which clears the way for Campbell Soup, US food group, to pursue its hostile takeover bid. Page 9

Terrace burnt down: Fire destroyed a terrace of listed 17th century buildings in the centre of Marlborough. Damage was estimated at £1m.

Making news: A five-year news contract for Independent Television News, worth a total of £266m, was finally signed on New Year's Eve after a year of negotiation. Page 8; Chirpy GMTV greets the nation, Page 4

Financial markets in Europe, the US and Japan were closed yesterday. Reports on Thursday's trading in London and world markets appear inside the paper.

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Kenyan opposition parties reject election results

By Julian Ozanne and Michael Holman in Nairobi

KENYA's political crisis deepened last night as the three main opposition parties rejected election results and alleged "massive rigging". President Daniel arap Moi said they were pushing the country towards civil war.

The move by the united opposi-

tion, pledging to prevent Mr Moi from exercising power and demanding fresh elections, immediately raised the prospect of conflict in the country. Provisional results last night showed the 68-year-old president and his ruling party Kamb had won the presidential and parliamentary polls. President Moi told reporters at State House that he denied the

allegations and said the opposition leaders were "liars" pushing Kenya towards civil war.

In what was taken as an imminent crackdown, Mr Moi said he had tolerated much abuse from the opposition. "This will now cease," he said. He appealed to western governments to recognise his victory and resume aid suspended last year pending political pluralism and economic reform. "Kenya has taken a giant step forward, not without great risk and potential pitfalls," he said. "I call on the world... to recognise our achievement."

The opposition demands coincided with a statement by the Commonwealth group of observers, further undermining Mr Moi's credibility. "It was evident

to us from the start that some aspects of the election were not fair," the group said. It qualified its criticism, saying the election "constitutes a giant step on the road to multi-party democracy". Chief Emeka Anyaoku, the secretary-general of the Commonwealth, was last night poised to break off a holiday in Gambia for a crisis mission to Kenya.

A joint statement by Mr Kenneth Matiba, of Ford-Asili, Mr Mwal Kibaki, of the Democratic party and Mr Jaramogi Oginga Odinga of Ford-Kenya, the three opposition leaders, accused Mr

Continued on Page 22
Matiba profile, Page 3
Jury out on Kenyan experiment, Page 7

Major sees
clear UK
recovery
this year

By Alison Smith

MR JOHN MAJOR predicted yesterday that 1993 would bring clear economic recovery in the UK and could mark the start of a "virtuous cycle" of sustainable growth and prosperity.

The prime minister promised that the government would seek a closer relationship with industry and commerce, and raised the prospect of a revival in areas of the UK's manufacturing base.

Interviewed on BBC radio's 'The World at One', Mr Major admitted that 1992 had been a miserable year for many people. Fear of unemployment was one of the brakes on restoring confidence - the task for 1993 was to bring hope to people who had lost their jobs.

Comparing the current position with the beginning of the 1980s, Mr Major held out the prospect of a number of years with steady and sustainable growth. Progress had been made in laying the foundation for recovery, he said, putting particular stress on the low inflation level.

He looked to the expansion of small and medium-sized businesses to create jobs, as they had done in the early 1980s. He said 400,000 businesses had been started even in the difficult circumstances of last year. Mr Major promised further promotion of vocational qualifications, and forecast a broadening of the UK's industrial base. "There are areas of manufacturing where I think we can begin to re-enter manufacturing... and that is not just a question of investment, it is partly a question of attitude."

His positive tone is part of a continuing move by the government to re-emphasise the importance of manufacturing. Earlier

this week, Mr Norman Lamont, the chancellor, said the UK's manufacturing performance should be "a source of confidence and pride".

It follows a signal last month that the Budget would focus on measures to underpin industrial investment, and offer particular help to small businesses and exporters which have suffered in the recession.

Downing Street said the European single market and the completion of the agreement on international trade meant that the coming months would be a time of great challenges for business, and that Mr Major wanted the government to try to ensure that

Smith urges return to 'active government'.....Page 4

British industry did not miss out on the opportunities.

Mr Major spelt out his continued support for Mr Lamont as chancellor, despite sterling's departure from the European exchange rate mechanism. That had resulted from events beyond the chancellor's control, Mr Major said - the Danish referendum, uncertainties surrounding the French referendum, and "infelicitous" briefing by the Bundesbank which directed the markets towards sterling.

The prime minister's determination to seize the initiative on the domestic agenda and put behind him the past few months in which the government was widely perceived as at the mercy of events, was also explicit. He underlined his commitment to further education and health reforms, but was more cautious in his language on privatisation.

Continued on Page 22

Zenith Data Systems seeks
to win back \$740m US deal

By Alan Cane

ZENITH Data Systems is seeking to regain Desktop Four, the \$740m (£486.80m) US Air Force personal computer contract awarded under new Pentagon procedures designed to speed procurement.

ZDS, the US-based PC arm of Groupe Bull, the French state-owned computer maker, was denied the contract on Christmas Eve after appeals against the award were upheld.

Mr Thomas Buchsbaum, ZDS federal systems vice-president, said: "Even though two out of the mass of protests were granted, we are still in a better position than anyone else on Desktop Four."

Desktop Four is the first example of the Pentagon's fast-track procurement policy. For Groupe Bull, still losing money heavily, it represents additional revenue and a powerful confidence booster.

The contract was let first in 1991 to two US companies, CompuAdd and Sysorex Information Systems. When appeals against that decision were upheld, the contract was given to ZDS in September 1992.

Competitors including CompuAdd and Apple again appealed but ZDS, which supplied PCs under Desktop One and Desktop Two, believed its position was safe. It was surprised last week when the appeals were upheld. Desktop Three went to other vendors.

The appeals board has now published excerpts from its ruling which show that ZDS failed on two counts: First, the video monitor it proposed to supply with the 300,000 PCs in the contract did not comply with the Trade Agreements Act, a mea-

sure designed to ensure substantial US labour content in systems assembled from offshore components. Second, the board did not believe the Air Force had given enough consideration to sourcing its PCs from more than one supplier.

Mr Buchsbaum said ZDS intended to appeal against both rulings. He said he was certain ZDS monitors met and exceeded the legal requirements of the Trade Agreements Act. There were well-recognised benefits to the government of a single vendor policy including lower prices, greater compatibility between systems and decreased training requirements.

Mr Robert Dornan of Federal Sources, a marketing consultancy specialising in government business, said the onus now lay on the Air Force to clarify its requirements.

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Celebrating independence: thousands of people crowded into Bratislava's main square yesterday to toast the newly created republic of Slovakia when the old Czechoslovak state was dissolved at midnight. Czechs and Slovaks vow to keep split amiable, Page 2

Single market brings air fare war

By Daniel Green

A US-style air fares war arrived in the single European market right on schedule yesterday. Lufthansa, the German state carrier, began selling cut price return tickets between every European Community member state and a dozen German cities.

Passengers can now fly from the UK to Germany for £99 return and from France for FF999 return.

The cuts have been made possible by the Third Airline Liberalisation package, agreed last summer by EC members. Under the rules, fares can be changed without consulting governments first. Only if governments at both ends of the route disapprove of a new fare must it be withdrawn.

Lufthansa's move has already prompted three other airlines - Air France, KLM of the Netherlands, and Copenhagen-based Scandinavian Airline System (SAS) - to match the cuts, although only on flights to Germany.

Lufthansa also expects British Airways to respond, and even to undercut the fares. But BA said it had no plans to do so.

Round one of the fares battle lasts for just two weeks. The cut price offer applies to tickets sold before January 15 and is valid for flights until March 31.

Round two could follow quickly as carriers test their newly-liberalised market. Lufthansa prepared its pan-EC marketing assault amid strict secrecy. By its own admission it is more associated with business class customers and high ticket prices and wanted to maximise the element of surprise.

The venture is already a success, it claims. In the first two days of promotion, Lufthansa's London offices received double the number of telephone inquiries than normal for the time of year.

Technology has also come to the aid of the airline. "We have electronic filing systems to computer reservations networks. We can announce a price cut today and be selling the tickets tomorrow," said Mr Frank Zehle, Lufthansa's marketing manager for Great Britain and Ireland.

It is not yet clear whether European fares can fall as far as they did in the US after deregulation.

tion in the 1970s. Landing fees, air traffic control charges and wages are often higher in Europe. On the other hand, many European carriers are state-owned and may be able to sustain losses longer than privately-owned companies.

The combined losses of European airlines last year of \$1.3bn were greater than their combined profits over the past 10 years. Airline traffic has yet to show a sustained recovery following the slump caused by the Gulf crisis and the recession.

Reality betrays European dream, Page 2

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Reality belies the European dream

THE European Community yesterday became a 12-nation single market but was forced to concede that the free movement of people, goods, capital and services within the EC was not yet a reality.

All internal EC border checks on goods were abolished at midnight on December 31, and the European Commission declared that the Community had adopted 95 per cent of the 300 measures proposed when the single-market project was launched in 1985. Six members of the European Free Trade Association (Efta) are set to join the free-trade area during 1993 when the European Economic Area comes into being.

But in practice, confusion, omissions, delays and the inevitable political compromises mean the Community is unlikely to realise the aim of the 1957 Treaty of Rome - to establish a barrier-free European common market - before the end of the millennium.

Mr Jacques Delors, the European Commission president, declined to

Political compromises and confusion likely to delay a barrier-free common market, writes Andrew Hill

fete the arrival of the market. He argued that it would not be appropriate and that as a gradual process the single-market project was never supposed to end with a "big bang" on January 1 1993.

In a statement released yesterday, he said: "We shall have to display a more active presence together in global affairs relating to peace, liberty, respect for others and solidarity with the poor worldwide. The task is immense but it can be carried out successfully."

For the EC's 344m inhabitants - and travellers within the Community - the immediate effect of the legislation that came into force yesterday will be limited. The main change is the abolition of limits on the goods individuals can carry across internal borders.

Travellers can now return home with as much alcohol, tobacco and other goods as they want, having paid tax where they bought the items. But national authorities can carry out spot-checks and seek proof that the goods are for personal use or consumption.

For many regular travellers within the EC, the greatest disappointment will be the failure of member states to lift passport checks at internal frontiers.

Passengers on flights within the EC will still have to show passports at airports until December at least, when most terminals should have adapted to the changes. Nine continental members of the EC will try to abolish other controls on people by the middle of this year, if external frontier controls are strengthened.

But Britain, Denmark and Ireland could well persist with passport checks beyond 1993.

To a large extent, EC businesses have already adapted to the single market. Its announcement helped fuel the boom of the late 1980s and many companies have already restructured to take account of existing and proposed legislation lifting barriers to trade.

Exchange controls in all but four EC members were lifted by mid-1990, for example. Ireland yesterday joined Portugal and Spain in lifting controls reimposed during the autumn currency crisis. Only Greece has been granted a delay in liberalising capital movements.

Alongside the abolition of border controls on goods, yesterday was the birthday of a new system for collect-

ing and monitoring value added tax and excise duty. The new regime abolishes 60m forms which had to be filled in by business each year, but traders complain that new administrative burdens have been imposed. They also fear confusion about the application of the new rules will undermine its benefits during the first few months of operation.

From now on EC banks are also free to set up branches anywhere in the Community, and government curbs on the setting of air fares have been lifted - a move which could herald cheaper air travel. Utilities and public authorities also have to open all contracts, except those in services, to competition.

But recent breakthroughs allowing stockbrokers and banks to deal on stock exchanges across Europe will not come into force until 1996 at the earliest, and legislation enabling insurance companies to set up anywhere and sell policies across borders does not take effect until 1994.

Vulnerable punt faces a rough start to year

By James Fitz, Economics Staff

THE first currency to come under attack after a quiet Christmas could be the Irish punt, as foreign exchange dealers brace themselves for a new year of speculation against the weaker currencies in the European exchange rate mechanism.

Trading on the foreign exchanges was so thin last week that most exchange rates were motionless. But the Bundesbank's unwillingness to ease monetary policy and uncertainty about the future of the ERM left the Irish currency looking beleaguered.

On New Year's Eve, the punt was trading at DM2.6315 against the D-Mark, close to its ERM floor of DM2.6190. In the last few days the punt has been alternating with the system's other weak currency - the French franc - at the bottom of the ERM grid.

The punt's vulnerability has been heightened by new dangers. Yesterday, the Irish authorities carried out their pledge to abolish the country's remaining exchange controls, in line with the EC's single market programme. It was, in the words of one Irish currency dealer, "an extraordinarily brave decision".

Until this weekend the controls had meant that foreign investors who wanted to trade in the punt had to deal in the less liquid Euromarket. Now non-residents can borrow punts in Ireland's domestic market, thereby enhancing their ability to speculate in the currency.

The arrival of the new year also brings clean balance sheets to many bank dealers.

As the end of 1992 approached, dealers were reluctant to take big positions in the market for fear of losing the gains made in the summer currency crisis and spoiling what, in many cases, were excellent end-of-year results. But some analysts believe the currency market is on the verge of renewed speculation.

Like the French franc, the punt ought not to be a candidate for devaluation against the D-Mark. Ireland's inflation

rate for 1992 is about 2.7 per cent, well below Germany's. The country's current account balance is also in surplus.

But this is all but ignored by dealers. The punt is under pressure because of investor confidence in the D-Mark as a currency which has never been devalued and which offers a high return, with short-term interest of about 8.75 per cent.

Analysts also believe the punt will have to be devalued by about 7 per cent to make up for the competitive devaluation of sterling earlier in the year. Britain remains Ireland's biggest trading partner, accounting for 33 per cent of the Irish export market, and last year's 10 per cent revaluation of the punt against sterling has made life difficult for Ireland's exporters.

Mr Steve Barrow, an economist at Chemical Bank in London, believes pressure on the Irish currency is now so great that the EC's monetary committee may be forced to consider a devaluation of the currency as early as this weekend.

However, Mr Nick Hunt, head of foreign exchange trading at the Bank of Ireland in Dublin, says that speculation against the currency will not be easy, with Ireland's money market remaining illiquid due to large-scale selling of the punt to the central bank in recent months.

Speculators make a profit on a devaluation by borrowing the currency, selling it at the prevailing exchange rate and buying it back when it is at the lower rate.

Mr Hunt says that most dealers will be forced to borrow money from the central bank as the interbank market is so illiquid. "The central bank has already made clear that it will lend at increasingly high rates if it sees sustained pressure on the currency."

With the overnight support rate at about 14 per cent, the central bank can ill afford to raise the price at which it is lending money to the domestic market, for fear of squeezing the country's economy.

But there may be limits to the price investors will pay to borrow a currency in the hope that it will be devalued.

Prime ministers of both states shy away from predicting the exact course of future dealings

Czechs and Slovaks vow to keep split amiable

By Vincent Boland in Bratislava

MR Vladimir Meciar, the first prime minister of newly independent Slovakia, appealed yesterday to Slovaks of all ethnic origins to rally behind the new country and build a legal, democratic and decentralised state.

In a televised address to the nation from the capital, Bratislava, he called on "all Slovaks and Hungarians, Czechs, Polish, Ukrainian, Ruthenian and Romany (gypsy) minorities, all the citizens of the Slovak Republic," to work together.

In Prague, now the capital of the independent Czech Republic, Mr Vaclav Klaus, the prime minister, pledged to maintain close ties with Slovakia, formerly the junior partner in the 74-year-old federal Czechoslovak state, which was formally dissolved at midnight on December 31.

Mr Klaus said in a speech to political and religious leaders in Prague castle that there would be "no Chinese wall" along the common frontier. He underlined that Slovakia's economic prosperity and the maintenance of political pluralism was also a political concern for the Czech Republic.

Mr Meciar acknowledged, in a speech which implicitly recognised the fears and reservations that many Slovaks harbour about the ending of the link with the more prosperous Czech Republic, that difficulties lay ahead for the smaller of the two new states. He assured Slovaks that links with the Czech Republic would continue to be close and that Slovakia "needed neither customs officers nor border crossings and other restrictions".

Both leaders underlined the difficulty of predicting the exact course of their future relationship. Mr Meciar pledged to honour all obligations assumed during the six months the two states moved apart and to co-operate at the highest possible level.

He and other leading Slovaks attended independence celebrations in Bratislava's central square, which began with the hoisting of the new flag and the singing of the national anthem. Thousands of people turned out to usher in both the new year and the new state.

Under a placard saying: "Kiss me, I'm Slovak," one of the throngs caught the mood of the night. She said it was a special moment for all Slovaks, as people queued to another her with kisses. Then, to the strains of The Blue Danube, the singing and dancing continued into the night.

In his speech the Slovak leader stressed the importance of relations with Austria, and underlined Slovakia's "permanent and sincere interest in good relations" with Hungary. In a reference to the economic



The former Czechoslovakian flag, now the banner of the new Czech Republic, is waved by a reveler in Prague's Wenceslas Square on New Year's Eve

difficulties facing Slovakia, whose heavy and arms-related industries were built largely to serve the former Soviet and Comecon markets, he warned there was "a lot to learn". Mr Meciar, a former commu-

nist, said it was necessary to "draw a thick line between the present and the past". While the "velvet revolution" of November 1989 had rejected a system that was bad, "we cannot reject the work of those

who worked honestly under this bad system" - an indication that he will not permit a clean break with communist-style methods favoured by the free-market orientated Czech government.

Bosnian faction leaders gather for peace talks

By Frances Williams in Geneva

THE first face-to-face talks between leaders of the three warring factions in Bosnia-Herzegovina since hostilities began last spring opened today in Geneva, amid mounting international pressure for outside military intervention to halt Serb aggression.

The talks, due to break on Tuesday before resuming later this month, are aimed at thrashing out a political settlement for Bosnia based on the draft constitution prepared by Mr Cyrus Vance and Lord Owen, the international mediators, last October.

This provides for a decentralised political structure, comprising between seven and 10 largely autonomous provinces based on geographical, economic and historical factors as well as ethnic composition and strong human and minority rights guarantees.

Attending today's meeting will be Mr Alija Izetbegovic, president of the mainly Muslim Bosnian government, Mr Mate Boban, the Bosnian Croat leader, and Mr Radovan Karadzic, the Bosnian Serb leader. President Franjo Tudjman of Croatia and President Dobrica Cosic of the rump Federal Republic of Yugoslavia (Serbia and Montenegro) will also be represented.

While the politicians discuss Bosnia's constitutional future, and in particular where the provincial boundaries should be drawn, their military advisers will continue talks begun under UN auspices in the Bosnian capital, Sarajevo. These

will focus on the demilitarisation of the city, a reduction of hostilities throughout Bosnia and a lifting of the siege on Muslim-held towns.

Expressing fears that talk of military intervention could undermine the Geneva negotiations, Mr Boutros Boutros Ghali, United Nations secretary-general, this week described today's historic meeting as a "last chance" for the peace process.

However, Mr Vance and Lord Owen are said to see it as a "first chance" for top-level negotiations between the protagonists, in which a Bosnian settlement would pave the way for a broader regional accord.

The talks, which are the culmination of four months of painstaking peace-broking by Mr Vance and Lord Owen, follow last month's elections in Serbia which confirmed hard-line President Slobodan Milosevic in power, and the reluctant acquiescence by Mr Izetbegovic to sit down at the same table as Mr Karadzic, whom he (and the US administration) labels a war criminal.

The Bosnian government and Bosnian Croats are said to have moved closer in talks last weekend to drawing provincial boundaries, and Mr Vance and Lord Owen will have their own map in readiness to move the bargaining process along.

But when Lord Owen met Mr Karadzic and Mr Milosevic in Belgrade on Wednesday there was no detectable sign of flexibility in Serb demands for a single Bosnian Serb "state-within-a-state" which could at some stage become part of a Greater Serbia.

Truckers wary of their new freedom

By Charles Batchelor

MR John McCann's 38-tonne refrigerated truck was one of two dozen commercial vehicles on board the *Fride of Kent*, the first ferry to dock at Dover after the removal of border controls at midnight on December 31.

He had hoped for an earlier arrival in Britain but when he made his usual two-hour detour to Steenvoorde on the Belgian border to pick up his documents, the clearing agents had jumped the gun on the single market and had stopped issuing them. They advised him to wait for the first boat arriving after midnight, when the papers would no longer be necessary.

Agents are private companies that prepare export and import documents for customs. For years Mr McCann went to Steenvoorde because clearing agents there were open at more convenient times than those in Calais.

Creation of the single market means most of the 55m customs documents for trade within the European Community will no longer be needed.

However, uncertainty surrounds about the impact of changes.

Mr Kenneth Rose-Steven, whose cargo of Dutch chicken livers was the last truckload to pass through Dover under the pre-single market system of controls, clutched a wad of documentation. One of his fears is that customs posts elsewhere in Europe will not be prepared to clear drivers without the traditional documentation. And with many clearing agents

around Europe going out of business advice may be difficult to get if problems arise.

British Customs and Excise officers, however, are convinced of the benefits. Mr Derek Leach, in charge of VAT, excise and duty collection on freight traffic, said customs officers in Dover handled about 3.5m import and export documents a year. These would be reduced to about 300,000 documents, mainly covering non-EC shipments, he estimated. Checks for smuggling will be carried out only on vehicles which appear suspicious.

This has led to the loss of 550 customs jobs at Dover, Ramsgate, Folkestone and Sheerness, although most staff have been transferred to other jobs or will move to the Channel tunnel when it opens.

But even the removal of most customs controls will not mean drivers have a completely free run. The immigration department has taken over some of the space occupied by customs. And controls on drivers' hours remain. Mr Rose-Steven had to wait 11 hours in Dover yesterday because of EC tachograph rules.

TGV link approval

FRANCE has given the go-ahead for a high-speed TGV railway link from Paris to the German border, after years of delay caused by financing problems, Reuters reports from Paris.

The prime minister's office said the cost of the project would be cut to less than FF420bn (\$2.4bn), from earlier estimates of FF450bn. The construction schedule will be released next month.

The new railway, completing a network of 160-190mph trains running south, west and north from Paris, should put Strasbourg less than two hours from Paris by the end of the century and eventually extend towards northern and eastern Europe. The European Community is to provide some financing.

Polish coal deal

COAL miners at 65 Polish pits are to vote on Monday on a New Year's Eve agreement between strike leaders and the government which could end the most widespread stoppage in the industry's history, writes Christopher Robinski in Warsaw.

The protocol commits the government to restructuring the coal mines' debt of 8,000bn zlotys (\$3.34m) and providing subsidies worth 1,700bn zlotys. The government has also said it will turn to international financial institutions for modernisation loans for the industry.

The end of the 19-day strike would see the resumption of coal exports, which the government banned last week in view of possible domestic fuel shortages.

To celebrate 100 years of turning pink, the FT offers you lunch for a fiver.

(It's the offer of a lunchtime.)

On January 2 1993, the Financial Times turned Pink. As part of the celebrations we thought you'd like a two course business lunch at a top restaurant, for just five pounds. (Yes, a fiver!)

There are no strings, catches, questions or tiebreakers whatsoever. Just buy the Weekend FT on January 9 and book a table at one of the listed participating restaurants.

If, however, you'd rather not pay at all, you'd better enter our competition. From January 11 we will be asking a series of cryptic questions. Answer them correctly and you could win a gastronomic weekend for two at Gidleigh Park in Chagford, Devon.

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N-weapons deal will cap Bush-Yeltsin summit

By George Graham in Washington

PRESIDENT George Bush will arrive in Moscow this evening for a far-reaching summit meeting with Russian President Boris Yeltsin. It is to be capped by the signature of an historic agreement cutting the US and Russian nuclear arsenals by around two thirds.

They are expected also to discuss Russia's economic reforms, as well as relations with other former Soviet

republics - especially Ukraine, whose failure to fulfil its pledge to get rid of the nuclear weapons on its soil is viewed in Washington as one of the most critical threats to efforts to control the nuclear threat.

But Mr Bush has less than three weeks to serve before his hands over to President-elect Bill Clinton, so little of substance is likely to be transacted.

Nevertheless, diplomats in Washington expect Mr Bush to use the

meeting to press for Mr Yeltsin's co-operation in stepping up pressure on Serbia to end hostilities in Bosnia.

On his way home, Mr Bush will stop in Paris for dinner with President François Mitterrand, and will try to win his backing for a tough UN resolution allowing the enforcement of the no-fly zone over Bosnia as he sought that of Mr John Major, the British prime minister, at a meeting last month in the US.

The broad outlines of the nuclear missiles agreement which Mr Bush and Mr Yeltsin will sign tomorrow, known as Start II because it builds on the framework of the Strategic Arms Reduction Treaty signed by the two superpowers in 1991, were agreed at their last summit in Washington in June.

The US and Russia have agreed to deploy no more than 3,000-3,500 strategic nuclear warheads by the year 2003, with a separate limit of 1,750

warheads deployed on submarine-launched missiles and a complete ban on the use of multiple warheads, known as Mirva, on land-based missiles.

It has taken six months to resolve technical disagreements over issues such as the conversion of silos protecting one banned type of missile to enable them to house smaller missiles, but US officials said the delay in completing Start II has also reflected Mr Yeltsin's difficulty in

selling the agreement to his military commanders and to nationalist politicians on his right.

The agreement throws out the principle of strict parity that has pervaded earlier US-Soviet arms treaties by setting a band of 3,000 to 3,500 warheads.

Mr Yeltsin said in June he intended Russia to aim for the lower end of this band, while the US is expected to end up closer to the upper limit.

US warns Somali clans as Bush visits interior

US-led forces yesterday warned warring factions in Somalia against any further use of heavy weapons after two clans exchanged artillery, mortar and heavy machine-gun fire for three hours on New Year's Eve, agencies report from Mogadishu.

The clashes on the outskirts of Mogadishu - which came on President George Bush's first night in Somalia - left at least 17 people dead on one side alone, according to US Marine officials.

The fighting was a minor clan's attempt to become a participant in peace talks, a United Nations official said. The UN also said one of Somalia's two main warlords was dragging his feet on attending

a peace conference in Addis Ababa, Ethiopia, next week.

The fighting and threat of a conference boycott gave Mr Bush a glimpse of the rivalries and bloodshed that have plunged Somalia into humanitarian crisis, clan warfare, looting and famine.

Mr Bush saw the devastated interior of the country yesterday when he visited Baidoa, 190km west of Mogadishu, where he was greeted by cheering youngsters and foreign relief workers at an orphanage.

The New Year's Eve fighting, which lit up the night sky and resumed briefly yesterday morning, broke out when the Murusade clan, led by Mohamed Kanyare, tried to seize a barracks belonging to

one of the main warlords, Gen Mohamed Farrah Aidid.

US Marine Col Michael Hagee said Mr Aidid's forces lost 17 fighters, with 25 wounded. He did not have figures for the other side.

Hospital doctors said up to 35 people, including several children, were wounded.

Mr Farouk Mawlawi, UN spokesman for Somalia, said Mr Aidid still had not committed himself to the Addis Ababa talks.

Mr Aidid and the other main warlord, Ali Mahdi Mohamed, signed a ceasefire agreement in early March. But they acknowledge they do not control all of their factions, and the line between clan fighters and bandit gangs is blurred.



PATTEN ORDERS INQUIRY INTO FATAL HONG KONG REVELS

GOVERNOR Chris Patten ordered an inquiry yesterday into a New Year stampede in which 20 young revellers were trampled to death, saying lessons must be learnt before the Chinese New Year festival in three weeks. Reuter reports from Hong Kong.

The victims, including two teenagers believed to be British and a Japanese, perished as more than 15,000 revellers poured into a narrow, beer-slicked street after the stroke of midnight.

Three of 17 people admitted to hospital were in a critical

condition, officials said.

Police watched helplessly for several minutes, unable to reach the mostly teenage victims who one officer said simply dropped from sight to be crushed underneath.

Mr Patten said the inquiry, under high court judge Kemal

Bokhary, should start early next week, as speed was essential to avoid similar chaos at the Lunar New Year, which has been marked by tragedies for two years running.

● Above: A woman trampled in the crush is helped by friends and a policeman.

Hijacker puts US in quandary

By George Graham

US officials are pondering what to do with the Cuban pilot who this week hijacked his aircraft and flew to Miami, taking with him 48 willing defectors and also some passengers and crew members who were diverted against their will.

The case again places the US government in a quandary as a result of its enduring feud with Mr Fidel Castro, the Cuban leader.

While Washington welcomes any refugee from the Castro government, it is reluctant to appear to condone hijacking, and some US airlines are agitated about the possible precedent.

The Cuban American National Foundation, a right-wing grouping of Cuban exiles headed by Mr Jorge Mas Canessa, a Miami businessman, has hired a lawyer to represent the pilot, Mr Carlos Canicio, and is acting as Mr Canicio's interpreter in interviews.

But the episode has also highlighted the contradiction between the open arms the US extends to any Cuban defector, and the cold shoulder it has turned to thousands of Haitian refugees from the military regime that ousted President Jean-Bertrand Aristide in 1991. The US policy of forcing Haitian refugees to return home is justified by the argument that they are, for the most part, fleeing economic misery rather than the political persecution that faces their Cuban counterparts.

Human rights observers, however, say the US position is at best rooted in the distinction that Cuban oppression is communist, rather than merely totalitarian, and at worst in the fact that most Cuban defectors are white and relatively well educated, while most Haitians are black.

Japan turns face towards Asia

By Robert Thomson in Tokyo

MR Kiichi Miyazawa, Japan's prime minister, has said the country must concentrate on developing its political role in Asia, signalling that Tokyo will increasingly pursue policies independent of the US.

In a New Year statement, Mr Miyazawa said Asia would be "the world's brightest spot over the next century", and Japan must cultivate its own policies to take advantage of the changes in the region.

His comments follow the delivery of reports by two senior advisory panels recommending that the relationship with the US be redefined and that "a new way of thinking" be employed in dealing with Asian countries.

The New Year comments and the publication of the panel reports are part of the build-up to a South-East Asian tour by Mr Miyazawa beginning on January 11.

While careful to show deference to US influence in Asia, Japan is trying to convince other Asian governments that Tokyo will not necessarily fall in line behind Washington in the future.

At the same time, most Japanese apparently sense that

there are troubles ahead with the US. A poll published yesterday by the Mainichi Shimbun found that only 6 per cent of questioned Japanese consider ties with the US will improve in the future.

In addition, Mr Miyazawa presided over a "round table on Japan and the Asia-Pacific region", which has just reported that "it is indefensible to adopt the attitude that a nation can curl up comfortably into its own cocoon" in the face of international change.

But the conference also suggested Japan must make changes at home to ensure that it can be taken seriously abroad.

Meanwhile, Mr Miyazawa said Japan's reluctance to open the rice market to imports was not a cause of the delay in setting the Uruguay Round of multilateral negotiations under the General Agreement on Tariffs and Trade.

He said Japan should "defend" the rice market, though, recognising that a market opening appears inevitable, he also suggested that farmers be compensated if their earnings are affected by trade liberalisation.

Government wants to cut inflation and create 4m jobs in two years

Brazilian growth plan prepared

By Bill Hinchberger in São Paulo

BRAZIL'S new government has outlined a general strategy to promote growth and reduce inflation.

But the scheme for achieving these goals, presented by Mr Paulo Haddad, planning minister, was short on details. He failed to address structural reforms such as privatisation, a programme which President Itamar Franco suspended and

promised to re-initiate under unspecified new rules.

The key points included the elimination of public waste and corruption through increased oversight and administrative decentralisation, a gradual reduction of interest rates, tripartite sectoral accords negotiated with business and labour, and the liberalisation of certain investment rules to attract foreign capital.

Mr Franco hopes to generate 4m jobs during the two years

left of the term he inherited from Mr Fernando Collor de Mello, who resigned last week. The government estimates that there are 8m unemployed in Brazil's big cities.

The government aims to cut inflation from 25 to 10 per cent a month by the end of 1993, and to what Mr Haddad called "civilised levels", 2-4 per cent a month by December 1994.

The strategy for "selective growth", as Mr Haddad put it, partly depends on the co-operation of business and labour.

The model will be an accord last year in the automotive sector, where industry reduced prices and guaranteed job stability, labour moderated salary demands, and the government cut taxes.

Mr Franco is calling Congress back from its summer recess on January 11 to address fiscal reform. Reform would also make room for the gradual reduction of interest rates, said Mr Haddad.

Israel passes jobs budget Hard line over deportees

ISRAEL'S parliament yesterday approved the 1993 state budget, the first under Labour Prime Minister Yitzhak Rabin, after a marathon all-night session. Reuter reports from Jerusalem. The vote was 44-36.

The Shk102bn (£24.3bn) budget aims to ease 11 per cent unemployment by creating 90,000 jobs, mainly through infrastructure and business incentive allocations totalling Shk6.4bn.

Inflation was forecast to remain steady at 10 per cent.

The government abolished a Shk250 travel tax, a 4 per cent fee on foreign currency purchases, and customs duty on products from the European Free Trade Association countries. It reduced value added tax from 18 to 17 per cent and company taxes from 48 to 39 per cent.

Defence, at Shk13.3bn, is the largest item in the operating budget. In the overall budget,

debt repayment takes the largest allocation, at 29 per cent, followed by 26 per cent for welfare and transfer payments. Defence accounts for 18 per cent of the overall budget.

The deficit, which by law must be wiped out by 1995, is projected at 3.2 per cent of gross domestic product in 1993, compared to the 1992 projection of 6.2 per cent. GDP, up 6.4 per cent in 1992, is predicted to increase by 3.5 per cent in 1993.

ISRAEL said yesterday it opposed a fresh Red Cross appeal on humanitarian aid to 415 Palestinian deportees stranded in Lebanon. Reuter reports from Jerusalem.

The International Committee of the Red Cross said on Thursday it had asked Israel for access to the deportees through Israeli lines only. It said Red Cross delegations in Israel and Lebanon were appealing independently for unilateral access.

"Israel's position has not changed," said Gad Ben-Ari, spokesman for Prime Minister Yitzhak Rabin. "We are ready to allow the Red Cross to bring supplies only on the basis of mutual agreement, which means at the same time a convoy must also come from Beirut."

Israel expelled the 415 on December 17 for periods of up to two years. Ten have been told that their expulsions were a mistake and they may therefore return to the occupied West Bank and Gaza Strip.

Earlier yesterday Mr Rabin said the deportees could return home early if the Palestinian uprising in the occupied territories was halted for nine months.

In the Gaza Strip, Palestinians hurled a hand grenade near the Israeli checkpoint at Erez junction, where Arab workers cross into Israel. An Arab driver was slightly wounded.

NEWS IN BRIEF

Survey shows US orders rising

THE US manufacturing sector continued to expand in December, according to a widely watched survey of industrial buyers. George Graham writes from Washington.

The National Association of Purchasing Managers Index rose for the third consecutive month to 55.9 per cent and a NAPM index of new orders climbed sharply to its highest level for three years.

Separately, the Commerce Department said manufacturers' new orders declined by 0.9 per cent in November, the first drop in three months. Economists said, however, that this decline was mostly attributable to aircraft orders, which tend to fluctuate erratically. Factory shipments rose by 1.1 per cent in November.

Washington defines water

The US Food and Drug Administration ended the year by publishing its long-awaited rules for the labelling of bottled water. Nikki Tait reports from New York.

Under the proposed new rules mineral water will be defined as bottled water with at least 250 parts per million in total dissolved solids, coming from a source "tapped at one of more bore holes or springs, originating from a geologically and physically protected underground water source".

Spring water, meanwhile, is defined as bottled water obtained from an underground formation from which the water flows naturally to the surface - or would if it were not collected underground.

Cambodia trade sanctions

Trade sanctions against the Khmer Rouge have come into effect after the guerrilla faction launched its most serious attack on UN peacekeepers since they were deployed in Cambodia. Reuter reports from Phnom Penh.

The sanctions were imposed by the UN Security Council in November because of the hard-line guerrilla group's refusal to comply with the peace accord signed in Paris in October 1991 to end 13 years of civil war.

Referendum date for Malawi

Malawi's President Kamuzu Banda has set a referendum on multi-party politics for March 16, the pro-democracy movement said yesterday. Reuter reports from Johannesburg.

The date was announced by Mr Banda in a broadcast, according to Mr Kennedy Msonde, a representative in South Africa of Malawi's opposition Alliance for Democracy.

Nigeria begins reforms

The Armed Forces Ruling Council, Nigeria's highest governing body, has been dissolved to pave the way for a new body that will help guide the country through eight months of extended military rule. Reuter reports from Abuja.

Matiba grows from prisoner to opposition leader

THE man who dominated the historic launch of Kenya's opposition coalition to the continued rule of President Daniel arap Moi has earned his spurs the hard way.

Mr Kenneth Matiba, who emerged in the elections as the leading popular opposition figure, has one essential African qualification for power: a long spell in jail for his opposition to authoritarian rule.

Detention without trial has done for Mr Matiba what it did for former President Jomo Kenyatta, who was incarcerated by the British for his challenge to colonial rule: it has made him a political martyr to Kenya's masses, particularly his powerful and dominant Kikuyu tribe.

The 60-year-old former cabinet minister, jailed in 1990 by President Moi for leading the multi-party democracy movement, has established himself as the power broker of Kenya's political future.

Yesterday Mr Matiba, leader of the Ford-Asili party, was flanked by the two other members of the coalition, Mr Mwai Kibaki of the Democratic Party and Mr Jaramogi Oginga

Julian Ozanne profiles the man who has come a strong second in Kenya's presidential poll

Oginga of Ford-Kenya - once bitter rivals of Mr Matiba but now deferring to him as *primus inter pares* of the united opposition front.

From the start of the campaign for multi-party democracy nearly three years ago, Mr Matiba has displayed an almost messianic belief that this was the leadership role he was destined to play.

He has battled Mr Moi since 1988, when he became the first minister to resign from his cabinet over election rigging. Spearheading the nascent multi-party movement, he was detained in July 1990, three days before tens of thousands of people headed his call to demonstrate for political change. At least 40 people were killed in three days of rioting in Nairobi and Central Province in the wake of arrest.

Now he has the opportunity to shape the opposition to Mr Moi and determine whether Kenya's transition to democracy will be peaceful.

Interviewed in his campaign office, as it became apparent that he had become a pivotal

figure, Mr Matiba gave an early indication of his strategy to lead the opposition and put aside the bitter rivalries which had emerged during the campaign. "The country does not want Moi any more," he said. "The opposition have the majority of votes and we have to stop the violence which is there already. I am the only man who can stop the violence and keep the country together."

Mr Matiba has made an extremely strong showing in three of Kenya's eight provinces and can now claim the mantle of leadership of the Kikuyu tribe. The Kikuyu have been the most militant in pressing for the introduction of multi-party democracy, and observers say many are prepared to take to the streets to remove Mr Moi forcibly if Mr Matiba issues the call. Doubts about their possible return to power, after a 14-year break since Mr Kenyatta's death, remain his chief Achilles' heel.

Mr Matibawas last night firmly in second place behind his one-time jailer, by 1,228,870



'I am the only man who can stop the violence and keep the country together'

votes (26 per cent) to 1,798,233 (37 per cent) in the presidential race. His remarkable performance among his Kikuyu people in the face of stiff competition from his fellow tribesman, Mr Kibaki, stems his status as

the hero of the multiparty movement.

A strong family man and enthusiastic mountain climber, Mr Matiba suffered a severe stroke shortly after his release from a 10-month confinement

which left the right side of his body seriously paralysed and affected his reading and writing ability. He spent almost a year convalescing in London before returning triumphantly to Nairobi last May. At his country home in Limuru, he shows off the remarkable recovery he attributes to God and stiff exercise. "Look at this," he says, swinging the air with an imaginary squash racket. "I couldn't do that not so long ago." He is light-hearted, even schoolboyish.

Many Kenyans remember with affection his career before he entered parliament in 1979, which was built on two of Africa's greatest enthusiasms: beer and football.

As a senior executive and later chairman of Kenya Breweries between 1968 and 1979 he was responsible for massive industrial expansion and job creation in one of Kenya's biggest state-owned companies. As founder of the Kenya Football League and chairman of the Kenya Football Federation he promoted Kenya's most popular sport across the country.

His family and many of his close colleagues opposed his return to the cut-throat world of Kenyan politics, and urged him to retire to the business empire he has built up in hotels and horticulture exports.

But Mr Matiba felt he was the only man capable of leading the opposition to Mr Moi and holding the country together - an almost De Gaulle-style arrogance which was to win him many enemies in the opposition.

The results of the elections show that if the opposition had held together instead of fragmenting into three main parties, based largely on tribalism and personal greed for power, they would have easily swept Mr Moi aside.

Mr Matiba must bear some of the responsibility for this failure to present a united front. He claims his rigid stance has been based on democratic principle, repeatedly stressing that his was the only party to carry out direct elections for the leadership. "I have been for democracy from the beginning

and that was not up for compromise," he says.

But politicians in the other opposition parties, including former close friends like Mr Charles Rubia, who was detained with Mr Matiba in 1990 but subsequently broke with him, say his prickly and volatile nature make it impossible to work collectively with him.

An ironic parallel can be drawn, say his critics, between Mr Matiba and his close British friend Dr David Owen, the former leader of the Social Democrats: both men whose personalities led to divisions in the opposition.

His policies, too, are close to those of Dr Owen, mixing a commitment to private sector enterprise and privatisation of state-owned companies with a belief in the social welfare role of the modern state, especially in education, and accountability in public affairs.

Critical for Kenya is whether Mr Matiba can now rise to the challenge of opposition leadership bestowed on him by the electorate, and play the role of conciliator to unite a fragmented opposition still groping for a path to power.

Tour operators and retailers report surge

By Philip Rawstorne

THOMSON, THE UK's biggest tour operator, yesterday estimated that holidaymakers spent about £75m in the first three days of this week on summer bookings - about 50 per cent up on the same period last year.

The holiday rush, stimulated by price cuts and special offers, was accompanied by further brisk business in New Year sales yesterday.

Mr Charles Newbold, Thomson's

managing director, said: "Clearly consumer confidence is now returning to the high street."

Thomson, which expects total holiday bookings to reach £150m this weekend, has doubled the size of its Skytours brochure, offering 200,000 additional holidays in Spain, Greece and the Canaries.

Thomas Cook confirmed the early surge in demand. Bookings through its 340 travel agencies were 50 per cent ahead of last year. "We have

had a very good few days since Christmas," it said.

Retailers reported found an improvement on last year's start of the January sales. Mr Robin Cannon, marketing director of Allied-Mapes, said: "It has been a good day for us. The momentum has been maintained since Monday and augurs well for the weekend. Carpet sales have been particularly buoyant."

Lillywhites, the London sports store, reported business was "a lot

better" than in last year's sale. Mr Steve Forbes, merchandise manager, said: "For the Christmas/New Year period as a whole, sales are 41 per cent ahead of our forecasts, and 140 per cent up on last year when the redevelopment of the store disrupted the business."

Gieves & Hawkes, the Savile Row tailor, said it had fewer customers yesterday than earlier in the week, but it was "very pleased with the results. The Christmas period this

year has certainly been better than a year ago."

Mr Malcolm Busby, retail director of Daks-Simpson, said trading yesterday had been "quite brisk". He added: "Christmas got off to a slow start but over the last two weeks business has been very much better than last year."

The sale at Austin Reed's Regent Street store in London yesterday attracted slightly more customers than last year. Mr Michael Tiffin,

merchandise director, said: "There are noticeably more tourists among the shoppers."

It had been a good week for the company's 34 shops throughout the country, Mr Tiffin added. "We are very pleased with the results."

The John Lewis Partnership reported yesterday that its department stores had increased sales by 4.7 per cent in the week to December 19, the last full week before Christmas.

Pension fund returns improve

By Barry Riley

PENSION funds enjoyed high annual investment returns last year, according to initial estimates, in spite of the poor state of the economy.

Investment returns - capital gains plus income - of 19 per cent to 20 per cent on average were the best annual result since 1989.

Most of the gains were earned in the final few months of the year, following the withdrawal of sterling from the European exchange rate mechanism in September.

According to WM Company, performance measurement specialists, the best-performing asset category was overseas bonds, with returns of more than 31 per cent boosted by the devaluation. Equities returned about 20 per cent, both at home and overseas, and UK bonds 15 per cent.

The only disappointing category was property, which returned just 1 per cent or 2 per cent. Funds owning no property will therefore have performed better, and are likely to show an overall average return of 20 per cent.

But according to Hyman Robertson, the pension consultants and actuaries, last year's returns could prove illusory, because although share prices were strong dividends fell slightly. On an actuarial basis returns are likely to be closer to 5 per cent, and are "less than adequate" when compared to inflation-linked liabilities.

Hyman Robertson said: "A typical pension fund with a healthy surplus at the end of 1991 is likely to see part of that surplus eroded in 1992, reducing markedly its flexibility."

WM said that although stock market returns were good last year the 1990s still look like being the decade of the bond.

Over the three years 1990, 1991 and 1992 UK and overseas bonds have produced annualised returns of 14 per cent and 16 per cent respectively, but UK equities have returned only 9 per cent and overseas equities a very disappointing 2 per cent.

WM added that 1992 was likely to prove another bad year for pension-fund cash-flows, reflecting the number of companies taking contribution holidays. Cashflow was only 3 per cent of assets in 1991 and will have been even lower last year.

These estimates and comments are based on market returns. Actual pension-fund returns will be calculated individually over the next few weeks.

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■ Cabinet papers for 1962 reveal takeover bid row ■ Macmillan initially backed scrapped aviation project

Ministers were embarrassed by ICI battle

By Richard Evans

IMPERIAL Chemical Industries' attempt to take over Courtaulds was the biggest and most fiercely fought takeover battle of its day and the Macmillan cabinet did not know how to handle it, according to cabinet papers which have been released under the 30-year rule.

The aim was to rationalise the UK's synthetic fibres industry but Mr Frank Kearton, then chairman of Courtaulds, strongly resisted the plan and a long series of secret negotiations broke down.

The battle between Mr Kearton and Mr Paul Chambers of ICI fascinated the City, particularly when Courtaulds, having cut its interim dividend before the battle, proposed a dividend increase and distribution to shareholders of £40m in loan stock.

The government was an embarrassed spectator of the bitter in-fighting, and the Labour opposition rejoiced in the daily revelations of jungle warfare in the City. Cabinet papers show the scale of the disagreement among minis-

ters on whether to intervene. Some ministers urged intervention to prevent an ICI monopoly but a majority argued in favour of allowing the bid to run its course and for the Monopolies Commission to step in at a later stage if necessary.

Mr Rab Butler, the home secretary, absented himself from the discussions as he had married into the Courtaulds family.

Mr Frederick Erroll, president of the board of trade, publicly washed his hands of the affair. He told the Commons he had decided not to decide whether the merger would be in the national interest.

Fortunately for Mr Erroll the battle ended on the expiry of ICI's time limit for Courtaulds shareholders, when only 37.4 per cent of Courtaulds ordinary stock had been acquired.

Cabinet minutes show recognition that the dispute had crystallised growing public anxiety about the effect of big mergers on the national interest, and that ministers would be pressed to assume further powers to control these operations.

Hidden role in Cuban crisis

By Bethan Hutton

MR HAROLD Macmillan, the prime minister 30 years ago, felt the Cuban missile crisis strengthened the country's special relationship with the US. This was in spite of the British government's serious doubts about the legality of US actions.

The prime minister's papers record daily phone calls between him and US President John Kennedy.

Mr Macmillan later told the cabinet that the UK had played a more active role in the resolution of the crisis than was widely believed. He hesitated to publicise the fact for fear of embarrassing President Kennedy and further antagonising Britain's European allies.

At one stage Mr Macmillan wrote to President Kennedy offering to immobilise the UK's 60 Thor nuclear missiles as a face-saving gesture for Mr Khrushchev, the Soviet leader. The crisis was resolved the following day without such action being necessary.

Documents that have been removed indefinitely from the files made public yesterday may hide evidence of whether



Sit-down demo: protesters defied a government ban to demonstrate in Whitehall and Trafalgar Square over the Cuban missile crisis

a secret deal was responsible for the sudden resolution of the situation.

Close co-operation with Washington did nothing to help British relations with Europe when the UK was trying to join the European Economic Community, but Mr

Macmillan did not appear to consider this a problem.

He wrote in a memo: "I am glad to feel that the crisis leaves us with strengthened ties to the administration... I do not feel so inhibited by our European negotiations because I am now beginning to feel that

we shall have a fight with de Gaulle [of France] and Adenauer [of West Germany] anyway."

A flurry of memos between senior members of the government reveals serious doubts about whether the US blockade of Cuba was justifiable under

international law. The consensus appeared to be that it was not.

The government was particularly concerned about the possibility of setting a precedent in international law for ships of a third-party nation to be stopped and searched at sea.

Rotodyne failed despite political support

By Paul Betts, Aerospace Correspondent

BRITAIN abandoned a project to build a hybrid helicopter-wing aircraft to revolutionise intercity travel in spite of strong backing from Mr Harold Macmillan, the prime minister.

The Fairway Rotodyne project was ultimately cancelled by the government 30 years ago but cabinet papers released yesterday show Mr Macmillan had insisted four years earlier that the project "must not be

allowed to die". The aim was to produce an aircraft which would take off vertically and carry 48 passengers at 180mph over a 200-mile range.

The Rotodyne, which had two small wings and was powered by two turbo-propeller engines and a rotor blade, was aimed at intercity air travel.

A prototype first flew in 1957 after the government funded £13m of development costs. Commercial airlines showed little interest and the project was dropped on February 12 1962 after armed forces chiefs

said they were not prepared to support it.

A similar aircraft, the Boeing-Bell tilt rotor, is being developed in the US supported by the US government. The aircraft takes off vertically like a helicopter and then flies like a fixed-wing aircraft.

The US aircraft, of a roughly similar capacity to the UK project but with much longer range, has been earmarked for military and civil applications.

The Cabinet papers also disclosed that the Anglo-French Concorde could have been

called "Europa" or "Alliance" if the British government had had its way.

Although the British and French governments formally agreed to build the supersonic airliner on November 29 1962 the two countries continued to disagree on the name of the jet, according to the cabinet papers.

At the time, Mr Peter Thorneycroft (now Lord Thorneycroft), suggested "Alliance" and "Europa" to the cabinet.

He said France had agreed to a name that underlined

co-operation and meant the same in the two languages.

The two manufacturers of the aircraft, British Aircraft Corporation (now absorbed into British Aerospace) and Sud Aviation (now part of Aerospatiale of France), preferred Concordia.

The consortium had planned up to 40 aircraft, but in fact only 16 were produced.

Aerospace manufacturers are now studying the development of a second-generation supersonic airliner with a capacity of 300 against Concorde's 100.

Concern raised over South Georgia deal

By Bethan Hutton

A REPORT to the cabinet raised concerns that a whaling deal could lead to the south Atlantic island of South Georgia becoming populated entirely by Japanese. The government felt it could not interfere in a commercial transaction.

Housing was becoming a "lively political issue" because of a shortage of private rented homes and high interest rates.

Mr Rab Butler, the home secretary, warned of the risk of a "big explosion" of racial conflict if the government was not seen to take action after a series of fascist meetings were broken up violently.

Rapid growth of office employment worried the home secretary. He feared the concentration of offices in inner cities could lead to land shortages, increased homelessness, traffic congestion and high travel costs.

Unified budget timetable outlined

MR STEPHEN Dorrell, the Treasury financial secretary, has moved to reassure MPs that the new unified budget arrangements will not mean a reduction in parliamentary time for the finance bill, Alison Smith writes.

In a letter to Mr Nick Brown, a Labour Treasury spokesman, Mr Dorrell says that this year's second budget will be about early December, the finance bill will be published early in January and will complete its passage through parliament by May 5.

Labour is likely to be satisfied with the timetable which means that, as now, there will be just less than four months between the publication of the finance bill and its enactment.

Customs officers to vote on strike

CUSTOMS officers are to be balloted over strike action following changes to their jobs caused by the introduction of the single European market.

The CPSSA civil service union has recommended officers vote in favour of a one-day strike in protest at the changes which the union claims will result in a "significant loss of pay".

Anniversary coin

A SPECIAL crown coin will be struck to commemorate the 40th anniversary of the Queen's coronation. The 25 coin, although legal tender, will not be generally available until June and is not intended for general circulation. Collector coins will be available from early in the year.

Companies pin hopes on year-end exchange rates

By James Blitz, Economics Staff

TREASURY managers at UK companies were yesterday monitoring how sterling finally closed in 1992 against the dollar, the D-Mark and other currencies.

Companies which draw up their accounts at the end of the calendar year calculate the value of their overseas subsidiaries using the closing rate in London on December 31. In some cases the profits and losses from those subsidiaries will also be translated to the parent group's balance sheet using the exchange rates for that day.

Many treasury managers calculate profits and losses using the average exchange rate over the accounting year. But, even in these cases, the rate at the end of the calendar year is watched closely as a guide to how the average will come out.

Mr Derek Ross, a partner at consultancy firm Touche Ross, said the overall value of a company may change sharply

END-OF-YEAR EXCHANGE RATES			
	Dec 31 1991	Dec 31 1992	% change
DM/£	2.336	2.433	13.6
¥/£	1.571	1.514	19.1
FF/£	233.6	180.0	19.2
SP/£	9.888	8.365	13.7
CS/£	2.595	2.216	12.5
DM/\$	2.163	1.934	10.6
¥/\$	1.517	1.620	6.8
FF/\$	125.0	124.9	0.1
SP/\$	62.57	77.09	6.4

because of sterling's devaluation. "Those companies with net assets overseas will find this weekend that the value of their holdings has increased because of sterling's devaluation."

The devaluation implied in the year-end rate can also change a company's gearing ratio and borrowing capacity. The debt-to-equity ratio can also change, depending on the extent of a company's overseas holdings, and this may have an impact on existing borrowing arrangements.

Mr Ross said that the recession had resulted in companies having larger borrowings than

usual. The devaluation as reflected in the end-of-year rates may have an adverse effect on gearing percentages.

British business will be in the front line of a new battle of Britain this year, Mr Peter Morgan, director-general of the Institute of Directors said in a New Year message to members.

"January 1 1993 is an important turning-point for the UK economy. Symbolically, it brings the European single market into existence while in real terms it opens a new year in which we do expect recovery from recession to begin," he said.

Chirpy GMTV greets the nation

"A CONVENTIONAL breakfast show this isn't," claimed the anchorman. At just after 8am on New Year's Day not too many viewers were around to dispute this proud boast for Good Morning Television, which yesterday took over the breakfast franchise from TV-am.

On the first morning of ITV's Big Bang the GMTV formula for greeting the nation appeared thoroughly conventional - cheerful, fast-paced, and resolutely populist.

On Thursday, the last rather

lugubrious morning for TV-am, one of the siller tributes paid was that the programme had stood for "very visual colour". The set of GMTV is certainly highly visual - a sunburst-yellow lounge with pink sofas and an impressionist still-life.

The presenters are under 40 and as confident and chirpy as sparrows. Predictably, the top news story of the morning was Princess Diana on the Caribbean island of Nevis. GMTV had its own royal-watcher there who gushed predictable twaddle. Items on Somalia

and Slovakia came later. Body culture looks like being an important ingredient in the morning recipe, and not only features on health and exercise. A female fashion presenter modelled stretchy black underwear in the studio and a female travel reporter will do much of her work in a swimsuit.

Evidently GMTV has no aspirations to challenge its audience's intelligence. The technology reporter ducked an explanation of how potatoes can contain electricity by say-

ing dismissively: "Oh, it's all chemistry and that sort of thing." But it was a slick, confident debut.

Carlton Television's first contributions have been desperately banal. Yesterday afternoon's Surprise Party, presented by Michael Parkinson, was a reworking of This Is Your Life.

Richard Branson as the mystery personality was taken uncritically through his glorious career.

Patricia Morison

Smith urges return to 'active government'

By Alison Smith

REDUCING unemployment must be the overwhelming priority for this year, Mr John Smith, the Labour leader, said yesterday as he accused the government of complete inactivity on jobs.

He said Labour believed there should be a return to the idea of "active government" which could deal with the UK's problems by restoring the man-

ufacturing base, improving skill levels and providing better social services.

He contrasted the opposition's view with that of Mr John Major, who was simply "keeping his fingers crossed" and hoping that something would happen.

Mr Smith said on BBC radio: "There is no plan, no action, no drive on the part of this government to tackle Britain's over-riding problem."

"We're determined to run a campaign to make sure there is the maximum pressure on the government to make the next Budget a Budget for jobs and for economic recovery."

Mr Smith underlined Labour's commitment to an intensive campaign to force the government to act on unemployment.

The campaign may help draw the party together and take the emphasis away from

likely areas of tension and division. Mr John Prescott, the shadow transport secretary, said this week there were "clear divisions" in the party on proportional representation, Europe and trade union links.

Mr Prescott said that there were some party figures who seemed "to be wanting to believe that imagery and language are more important than the substance of ideas. I reject that view."

Sponsorship spending comes under the microscope

Companies want their arts expenditure to work harder for them, writes Deborah Hargreaves

BUSINESSSES are taking a long, hard look at one area of expenditure that could be seen as less than essential in a recession: corporate sponsorship.

Royal Insurance set the tone this week when it decided to end its £700,000-a-year sponsorship of the Royal Shakespeare Company.

Mr Roy Randall of Royal Insurance said: "We certainly got a lot out of our association with the RSC, but in a recession, if dividends are not increasing you can expect that

some shareholders may not be as keen on it as we are."

Others are also reviewing the benefits of having their name on a programme when set against the cost.

Mr Robert Pennant-Jones, head of communications at British Petroleum, the UK oil group, said: "We're beginning to come to the conclusion that big national sponsorships are not as good for some of our operating compa-

nies as smaller local efforts."

BP spends about £800,000 a year on the arts and has a fairly extensive spread of sponsorship inherited from Mr Robert Horton, its former chairman, who was ousted last year.

The company remains committed to its present programme but it is not planning to take on any more sponsorships. BP will also be looking very hard at its existing commitments, which include the

National Portrait Gallery in London and Cardiff's Singer of the Year competition, when they come up for renewal.

Few companies appear to be looking for new events to sponsor while profits remain under pressure. Mr Ross Frost, sponsorship manager at Barclays Bank, said: "It simply means we can't expand."

The bank spends about £1m a year on the arts, including sponsorship of the fringe theatre.

Corporate sponsorship can be crucial in creating an image for a company. BP, for example, sponsored a high-profile ecology exhibition at the Natural History Museum in London as a way of making a statement about its concern for the environment.

Sponsored events also provide a venue for corporate entertainment, where customers can go backstage and meet the cast of a play.

Privatised companies such as British Gas, which spends £10m a year on sponsorship, and British Telecom stress how sponsorship meets the need to put something back into the community.

Mr Bob Raggett at British Telecom, which spends £16m a year on sponsorship, said: "It is important for us to sponsor events which get the arts out to the people."

For example, the company

sponsored a tour of the Scottish islands by the Scottish Symphony Orchestra - the first time such a tour had been organised.

Even British Gas and British Telecom, with their deep pockets, are scrutinising their commitments. British Gas is reassessing its approach to sponsorship and charitable giving in the light of regulatory constraints, while British Telecom is responding to the cold economic climate by trying to get greater benefit from its sponsorship.

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As well as a full size reproduction of that first pink paper, we'll be running articles on how and why we first turned pink.

But Monday the 4th isn't just a historic day for the FT, it's also the first working day of the European single market.

So, in addition to our usual news and features, we'll be devoting a section of that day's paper to analysing what the single market means to you and your business. So buy the FT on the 4th and don't miss the most collectable FT since Monday January 2, 1893.

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Weekend January 2/January 3 1993

A cause for celebration

"TRY NOVELTIES for salesman's bait," wrote Goethe. "For novelties win everyone." Europe's single market, which officially started yesterday, is a welcome novelty, and not just for political and commercial salesmen seeking a winning slogan in a bleak winter. It comes into force at an unpropitious moment, with west and east Europeans beset by recession and upheaval. Yet hope sometimes finds its firmest footing in a time of gloom. Opening up closed industrial, service and financial sectors to more competition may cause short-term pain, but it is the best recipe for growth. Provided companies, individuals and governments grasp the opportunities, the single market offers Europe its best chance of prosperity.

Acrimony and fragmentation have characterised European politics in the past 12 months. But the Community deserves congratulation for enacting on time virtually all of a complex legislative programme, first outlined in 1985, allowing free movement of persons, goods, capital and services. Despite the impediments and imperfections remaining, the EC has pulled off an impressive feat. Placing the measures on the statute book was one thing. Making them work will be still harder. The EC faces four challenges. First, member countries will have to apply the rules firmly and equitably. The EC's new insistence on subsidiarity must not impede effective enforcement. Second, governments should seek ways of countering the currency instability, seen by many chief executives as undermining the single market's prospects of success.

Increased access

Third, the new market must be outward rather than inward-looking. This is crucial for relations with North America and Japan, and also for allowing increased access for exports from central and eastern Europe - all the more important in view of the EC's plans for enlargement. Fourth, the single market must be made attractive and inspiring to Europe's citizens - at a time when 16m people in the EC are without jobs, and economic growth is the lowest since 1981-82. If the EC now faces difficulties, the story of the single market shows how such tests can be sur-

Living with the past

AS THE western powers struggle to redefine their international roles in the post-cold war political climate, the markets confront an equally difficult, if less newsworthy, set of adjustments. The case for optimism, at the start of a year that will see no more than a sickly economic growth in the developed world, is that some of the building blocks of a sounder economic and financial order are in place - not least a pattern of capital flows that begins to make global sense. In the 1980s the world's creditor countries recycled disproportionate sums to the United States, thereby diverting capital from potentially higher returns in the developing world. Today, in contrast, Latin America is once again emerging as a capital importer, after a decade in which its economies were throttled by debt and bad policy. Direct inward investment into China is contributing to such dramatic double-digit growth rates that there is a real, and awe-some, possibility that China might become the world's largest economy within a matter of decades. Meanwhile the dragon economies of Asia are hosting some of the world's biggest infrastructure projects, as well as playing their traditional game of export-led growth.

Policy mistakes

The snag is that the markets of the developed world are still scarred by the policy mistakes and exchange rate disequilibria of an earlier period. Conventional wisdom has it that the United States will lead the world out of recession, but more slowly than in previous economic cycles. With the private sector constrained by debt, the banking system fragile and fiscal policy less expansionary than it looks because of the debt interest burden and the cost of bank bail-outs, it is hard to quarrel with that verdict. The US is in no position, this time, to act as a locomotive for the world.

Nor is it easy to be optimistic about Europe, where German unification has resulted in a policy mix comparable with Reaganomics and an outcome that is arguably more damaging. The German combination of loose fiscal and tight monetary policy imparted a powerful deflationary impetus to the rest of Europe via the rigid

mounted. Following 12 years of debilitation after the 1973 oil shock, the single market was conceived as a means of bringing the Community back to life. The relaunch was accomplished through amendments to the Treaty of Rome which came into force with the Single European Act in 1987. The act was relatively uncontroversial, yet it encompassed far-reaching steps towards a supranational Europe. Along with the aim of establishing "an area without internal frontiers", the act brought in qualified majority voting as well as the objective of economic and monetary union.

Investment surge

In some senses, the single market existed before it was born. An investment surge by companies anticipating abolition of borders, combined with the effect of German reunification, made 1986-90 a buoyant period. During that time the Community registered annual average growth of 3.5 per cent, three times the OECD's forecast for this year's performance. With-out this helpful background, the single market may well have run into the type of opposition that has bedevilled the Maastricht treaty.

As it is, the single market starts life punctually, but in a world made uncertain by change. One of the EC's prime problems is its flagging competitiveness, starkly underlined by a trade deficit with the rest of the world of \$60bn to \$70bn a year (against a \$20bn surplus in 1985). Conscious of this handicap, not least vis-à-vis newly industrialised countries, large European companies seem likely initially to use the single market above all to spur further productivity gains, through rationalising and concentrating their activities. Over the longer term, the single market opens a path to a more cohesive and competitive Europe which will create and not destroy jobs. By encouraging countries and companies to adopt the best available business and labour practices, it lays groundwork for deeper integration, including, perhaps, monetary union. So the new year beacons of celebration shone in a good cause. The milestone of the single market shows how far the Community has travelled; and it provides a sense of direction and purpose for the arduous but rewarding journey still to come.

framework of the ERM. Having voluntarily sacrificed their monetary sovereignty, the larger member countries of the ERM then felt obliged to follow Germany in relaxing fiscal policy. As a result, Europe is now a capital importer, which slightly mars the more attractive picture of capital flows painted earlier; and the fiscal legacy of the ERM period raises questions about the ability of equities to resist the gravitational pull of any rise in long bond yields, especially in those countries that have improved their prospects for recovery by leaving the ERM.

Tide over

For Britain, where the public sector borrowing requirement threatens to top \$50bn, compared with an annual institutional cash flow of just under \$40bn, the question is acute. Yet despite fears of funding crises ahead, long gilt yields have not risen since sterling left the ERM. This suggests, first, that the markets do not expect the one-off rise in import prices after devaluation to leave an early mark on wage settlements. Perhaps, too, that inflation is assumed to be moderating at such a pace that the gilt market offers sufficiently high real returns to persuade international capital to tide the government over until growth permits a significant reduction in the PSBR.

Even so, UK equities are moving into more contentious territory. And there are still plenty of areas of instability around the globe. The currency markets have unfinished business in the ERM, where the French franc continues to be vulnerable. Japan, the only significant creditor country remaining, is in the throes of a banking crisis; its equity market persists in staying overvalued chiefly thanks to the manipulation of public sector pension funds. And there is a worryingly small flow of capital into the former communist bloc, which underlines the geopolitical, as well as the economic and financial risks, with which the markets must live. There are limits to what capital can achieve in the absence of political leadership. With Mr Clinton in the White House, leadership has another chance. Let us hope, in 1993, that the chance is grasped.

Last year confirmed many of the gloomy forecasts made in January. FT writers, answering the most pressing questions for 1993, do not expect a great change in global fortunes - but there are one or two sparks of optimism

Last year was an *annus horribilis* for the Queen. It was an *annus horribilis* for Mr George Bush and Mr Neil Kinnock. But what sort of year was it for the reputation of the FT writers who were asked a year ago for their forecasts for 1992?

Joe Rogaly wondered whether the Labour party would win the general election. "Possibly, but not probably" was his answer, one that proved closer to the truth than the polls and most pundits. Asked whether George Bush would be beaten, Lionel Barber replied "no, but he will have a run for his money". He did, indeed, but then he was beaten.

Asked whether the economy faced a great depression, Samuel Brittan replied robustly that "this constant harping on the great depression is an enemy to serious thinking". Certainly, it did not happen in 1992. Barry Riley predicted that "all in all, you are likely to make some money on shares over 1992". So you were. Meanwhile, John Plender correctly predicted that UK house prices would fall in another year of gloom for home owners.

Martin Wolf predicted that the European Community's exchange rate mechanism would be realigned, which was hardly conventional wisdom a year ago. He also thought the Uruguay round of multilateral trade negotiations would be completed in 1992. He was right in judging the differences over agriculture too small to be an obstacle forever, but that agreement took longer than expected to reach.

John Lloyd argued correctly that there would not be a civil war in what used to be the Soviet Union, but noted that several small wars were raging already. Judy Dempsey said Serbia and Croatia would not make up, and also pointed to the dangers in other republics of the former Yugoslavia. Her warning was wise, as was the forecast from Roger Matthews that there would be no peace treaty between Arabs and Israelis in 1992. Meanwhile, Alexander Nicoll concluded that the Chinese Communist party would not go the way of the Communist party of the Soviet Union.

Finally, David Lescault thought the First Earth Summit in Rio de Janeiro would be mostly hot air, but also hoped it would focus the world's minds. The summit was at least more successful than its host, Mr Fernando Collor de Mello, who resigned last week faced with impeachment.

In all, 1992 was a good year for FT forecasters. What a pity about the world.

Will there be a global recovery?

Martin Wolf writes: No, not in the countries of the Organisation for Economic Co-operation and Development as a whole, if recovery means substantially faster economic growth than the 1% per cent expected for 1992.

The OECD forecasts growth of aggregate OECD gross domestic product of 1.9 per cent between 1992 and 1993. Even this improvement is unlikely, unless the US economy achieves growth substantially greater than the 2.4 per cent now forecast.

The OECD believes Japan and Germany will grow by 2.3 per cent and 1.3 per cent, respectively, between 1992 and 1993. This is already far below the 3.1 per cent and 2.3 per cent forecast by the OECD last June. In the present recession, however, mainstream forecasters have tended to underestimate economic weakness. There is a good chance that the Japanese economy will grow very little between 1992 and 1993, while German GDP will shrink.

Will there be peace in the Balkans?

Edward Mortimer writes: Alas, most unlikely. The war in Bosnia might peter out, but only on the basis of a *de facto* Serb victory which neither the international community nor the Moslem losers would ever accept *de jure*. In this case the Moslems would prepare for another round, smuggling in weapons from Moslem states. On top of that, Croatia may have a go at recapturing territory lost to the Serbs in 1991, when the UN mandate in those areas expires in March.

In Serbia proper, clashes are likely between Serbs and Hungarians in Volvodina, which could draw in Hungary; between Serbs and Moslems in the Sanjak; and above all between Serbs and the Albanians who form 90 per cent of the population in Kosovo. Both Albania and the Albanian minority in Macedonia would then be sorely tempted to help their kith and kin, which in turn could bring Serbian reprisals across their borders. It would not take much to upset the delicate balance in Macedonia between Slav majority and Al-

banian minority, and chaos in Macedonia could lead to intervention by any combination of Albania, Bulgaria, Greece and Turkey. If the last two are both involved, the Balkans could become the scene of the first war between two Nato allies.

Will John Major still be UK prime minister at the end of 1993?

Phillip Stephens writes: Yes. If there is a single lesson from 1992, it is that political predictions are as useful as the average long-range weather forecast. Most people thought that John Major would lose the April election. No one anticipated the calamities that befell him a few months later.

But the storms have abated and the satellite pictures tell us that there is a much clearer, if dull, spell ahead. There will be more unexpected squalls but, having survived the disintegration of his economic strategy, Mr Major is unlikely to be swept away.

An end to the recession should help the prime minister restore some of his battered authority. Even Labour's John Smith - who will also sit around at the end of the year - believes that Mr Major will fight the general election due in 1996 and 1997. But both leaders need to make an effort to persuade us that politics and politicians have the capacity to excite and enthuse as well as to survive.

Will the Maastricht treaty be ratified and what difference does it make?

Lionel Barber writes: The Danes remain capable of pulling off surprises, but the odds are that the Maastricht treaty will be ratified after a divisive referendum in late April or May. Britain will follow, thanks to Prime Minister John Major's deft handling of the EC summit in Edinburgh and the probability that Tory Euro-sceptic opposition peaked in early October, shortly after the *petit Out* in the French referendum.

The treaty itself is flawed. Monetary union for the 12 by the end of the decade looks fanciful. Germany is wavering about giving up the D-Mark. The big question this year is how the EC will respond to crises beyond its borders, in eastern Europe, Russia and the former Yugoslavia. The answer will determine whether the EC strengthens Maastricht's provisions for a common security and foreign policy - or once again defers to the US.

Will there be an ERM at the end of the year?

Martin Wolf writes: Yes, but a further reduced one. The current European exchange rate mechanism is likely to collapse into a narrow D-Mark zone, while exchange rates among all five major European economies - Germany, France, Italy, the UK and Spain - either float or become readily adjustable. To avoid this outcome, German monetary policy must be loosened substantially and soon.

The Bundesbank believes that the ERM is making a welcome return to the adjustable exchange rates of the period before 1977. But the absence of effective exchange controls makes any such ERM unstable.

The persistently slow economic growth of today exacerbates the ERM's unavailing fragility. Markets may accept that the Benelux countries are prepared to import restrictive German monetary policies, whatever their consequences. They do not believe that large countries will tolerate slow economic growth indefinitely. When the problem is restrictive German monetary policy, the only escape is in the possibility of substantial exchange rate movement, in both directions. Since such movement has been precluded by the D-Mark's anchor role in the ERM, the system will have to be modified substantially.

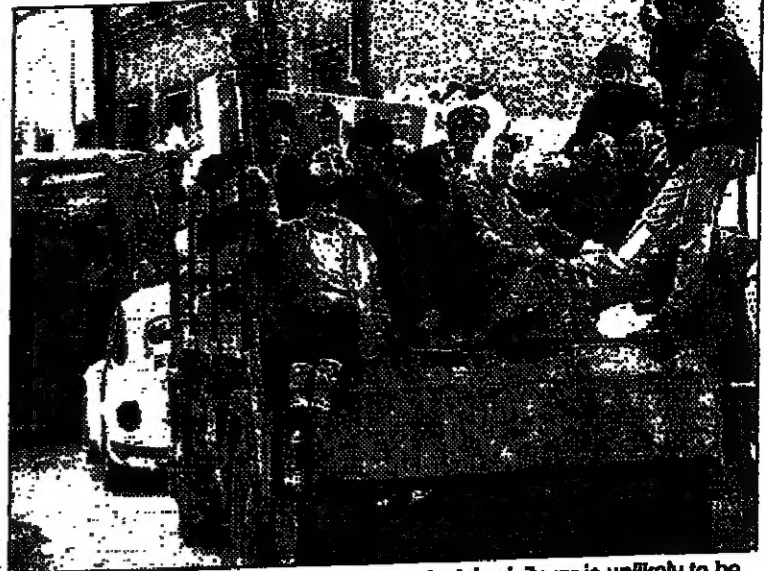
Will there be peace in the Middle East?

Hugh Carnegie writes: The crisis over Israel's deportation of 415 Palestinians and the spate of killings that preceded it by Islamic fundamentalists in the occupied territories showed how easily violence can dominate events in the Middle East, disrupting peace negotiations begun in late 1991.

In any case, Israel has yet fully to bite the bullet on yielding the Arab lands it has occupied for more than 25 years, despite the election of Mr Yitzhak Rabin's Labour-led government. The terms so far on offer from Israel fall well short of the minimum that the Palestine Liberation Organisation could accept without risking a grass-roots rebellion within its own ranks and



Brazil's new man, Itamar Franco: a mission to reform



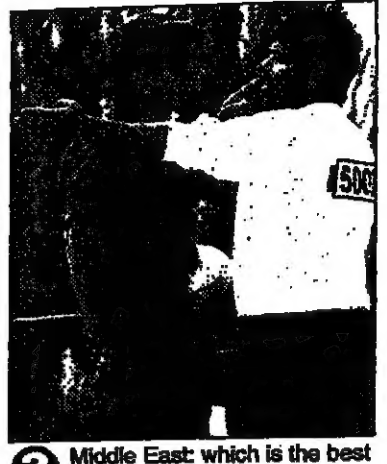
Refugees from a ruined land: Yugoslavia's civil war is unlikely to be resolved and could even spread into a wider Balkan conflict



Emergency in the ERM: will the Bundesbank help ease the pressure on Europe's fragile exchange rate system?



China syndrome: Asia's new tiger begins to roar



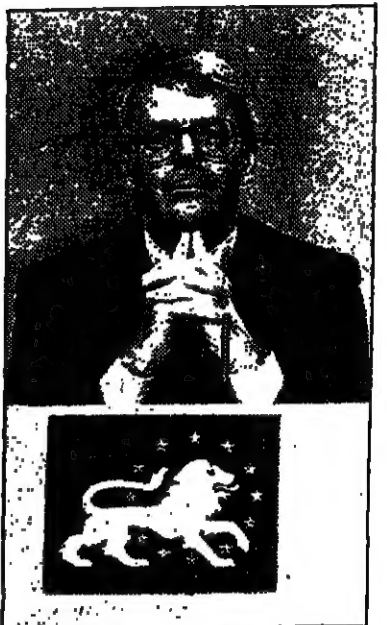
Middle East: which is the best way to peace?



President Clinton: Sick Wily may succeed despite pitfalls



International economy: can it pull out of reverse?



A not inconsiderable spell of calm weather ahead for Major

within the Islamicists.

Nevertheless, the fundamentals which drove Israel and its Arab neighbours into talks still apply: the US is dominant in the region following the demise of the Soviet Union; all countries engaged in the negotiations have deep strategic and economic reasons for maintaining good relations with the US and the west; the ultimate alternative to peace - non-conventional war, possibly involving a resurgent Iran - scares everybody.

The Washington talks will almost certainly resume after the Clinton administration takes over. But the deportation crisis illustrates, the "window of opportunity" for peace may be narrowing. Awareness of this should spur all sides on to a breakthrough this year. But never discount the volatility of the conflict, which could as easily destroy the chance of agreements.

Where are the next global hotspots?

Edward Mortimer writes: The problem with the new world disorder is that almost anywhere can be a hotspot. Explosions can happen without detonating a superpower conflict, because there is only one superpower left. The disintegration of the other superpower has, however, left plenty of fissile material around - figuratively and, alas, literally. Watch for signs of a more truculent Russia, ready to intervene on behalf of Russian minorities in other ex-Soviet republics; most dangerous would be Ukraine.

Likewise watch Hungary, surrounded on three sides by countries with large Hungarian minorities, living on territory that was Hungarian before 1918. Further afield, Africa and the Middle East are full of unresolved conflicts. If US intervention appears to succeed in Somalia, there may be demand for it elsewhere, such as Sudan. In Asia, Cambodia seems almost certain to blow up again, as the Khmer Rouge is sabotaging the UN peace plan.

Vietnam communist ruler Deng Xiaoping of China, Kim Il Sung of North Korea and Fidel Castro of Cuba are presumed to be mortal. Should any of them pop off this year, the temperature would rise in and around their countries.

Will US President Bill Clinton get it wrong in the year ahead?

Jurek Martin writes: Probably not, unless he is simply overwhelmed by events. Lack of big-league experience notwithstanding, few presidents have come to the job so well prepared in policy terms, so keen to deploy a formidable intellect on practical problems, and with such highly developed political and

populist instincts. Critically, he may also be "lucky", if the recent modest improvement in the economy he is inheriting can be sustained and if the opposition Republicans remain in their present state of disarray.

The pitfalls are obvious: a double handful of external crises, which may require more US military involvement overseas and, relatively, less of his promised "laser beam" focus on the domestic and economic programme; structural issues at home, like healthcare, welfare and education reform, which will bring him up against powerful vested interests; and financial market scepticism about his determination to control the budget deficit.

But with the Democrats running Congress and as keen as Mr Clinton to end "gridlock", and with every new president enjoying a honeymoon of varying length, there is no reason why he should not have a productive first year. The betting is that the new policies to be set in train will more resemble in their longer-term impact the very different agenda of President Ronald Reagan's first year in 1981. For most new presidents life gets harder after year one, as the first mid-term elections to Congress loom.

Will reform continue in the former Soviet Union?

John Lloyd writes: Most things will get worse in Russia this year. The policies of President Boris Yeltsin and Yegor Gaidar began the march to the market. Mr Victor Chernomyrdin, the latter's successor as prime minister, must choose between continuing the (relatively) tight money policies brought in by the Gaidar team - and thus risk mass unemployment - and debauching the currency, courting financial collapse. The decisions which must be made this year - on the economy, the constitution, the integrity of the Russian state, the form of the Commonwealth of Independent States - should not be further postponed.

Ukraine has just begun economic reforms from a position of near hyperinflation, and with most of its industries suffering a severe loss of markets. In the three Baltic states - especially Latvia - financial reforms have begun and have yet to hit employment.

The three Caucasian states of Armenia, Azerbaijan and Georgia are now all on militarised footing, their rascally economies (with the exception of the Azeri energy sector) ignored. The four central Asian states of Kirghizia, Tajikistan, Turkmenistan and Uzbekistan are suffering from a big market loss in Russia. Tajikistan is also rent with civil war.

Only Belarus in the west and Kazakhstan in the south remain relatively stable, so far avoiding both

nationalist excess and plunges in living standards.

But there are no hiding places from the effects of the excruciating painfulness of integration into the world economy. This pain will deepen in 1993.

Is Chinese economic reform set to last?

Alexander Nicoll writes: China's economic growth rate, at about 12 per cent, is probably the world's fastest in 1992, the result of a push for reform by 88-year-old Deng Xiaoping. Production, investment and exports have shot up. After 14 years, reform has considerable momentum, especially in the prosperous south. It is probably irreversible, even if it suffers setbacks as after the 1989 Tiananmen Square massacre.

Most of the economy is effectively in the private sector, and prices of many goods have been freed in 1992. But the bloated public sector presents huge challenges.

Two doubts remain: when Deng dies, will economic reformers survive in power without him? More immediately, will fast growth lead to overheating and austerity - slowing reform - as did two previous booms? A third question looms ever larger: will economic freedom lead to greater pressure for political freedom? The Communist party is determined to resist such demands at any cost.

Will Brazil realise its potential as Latin America's economic powerhouse?

Stephen Fidler writes: No. Brazil seems determined not to lose its reputation as "the country of the future". Brazilians face more stagnation in 1993 or, worse, another ineffective economic shock plan.

The government is now fighting inflation by keeping real interest rates high - which is why the economy is so weak - but has not fundamentally addressed the core of the problem: a budget deficit of 40 per cent of GDP.

President Itamar Franco, who took office after the impeachment on corruption charges of Collor, seems inclined to lower interest rates to reactivate the economy. If he does, inflation will accelerate. But if he does not and interest rates stay high, the economy will remain weak.

Either way, many Brazilians are betting that 1993 will see another shock plan - unorthodox measures such as freezing bank deposits and fixing prices and wages, which will fall without necessary fiscal reform - in a vain attempt to magic away the country's problems.

Jury out on Kenyan experiment

Elections have left the country precariously balanced, write Michael Holman and Julian Ozanne

President Daniel arap Moi may come to look back on December 29 as the day he won an election but lost the authority to govern Kenya.

Yesterday the ruling party's manipulation of the country's first multi-party election for 26 years achieved what once seemed impossible. The country's three main opposition leaders announced the formation of a united front and vowed not to let Mr Moi assume power again.

Against the incongruous backdrop of new-year tinsel and bunting at a Nairobi hotel, they pledged to set aside past differences of personality and tribe to oust Mr Moi from the absolute power he has wielded for 14 years.

It is more easily said than done, and last night the opposition refused to reveal its hand. But it is clear that Kenya will never be the same again and now faces its most critical moment in history since independence from Britain in 1964.

The future is uncertain - the country is precariously balanced between further change and upheaval. At best Kenya will settle into a period of fragile stability as the three party leaders attempt to wrest power from an authoritarian president, or at least persuade him to share power in what would be a government of national unity. At worst, the nation will be thrown into civil strife.

Much will depend on whether Mr Moi, a reluctant democrat, can learn to live in an era which requires a degree of tolerance, compromise and transparency that he has lacked in 14 years of near unbridled power. Equally important will be the opposition's capacity to contain the passions of its supporters.

Whatever the outcome, Tuesday's polls have set Kenya irrevocably on the path of change.

Much is at stake, for Africa and the west. A successful transition from autocracy to democracy would revive hopes for the recovery of a rare African example of stability and growth. For the west it would mark the successful culmination of the policy of linkage between aid and good government: the imposition of a freeze on donor funds in November 1991 spurred Mr Moi to drop the ban on opposition parties a month later.

Failure would not only prove devastating for Kenya's 26m people. It would reverberate through a region scarred by tribalism, war and economic mismanagement, and act as a body blow to hopes for renaissance of the continent as a whole, leaving western governments reassessing the merits of pushing authoritarian states down the road of pluralism.

For Mr Moi the election has been a painful, even humiliating, experience. Hours after he cast his vote in a mountain retreat deep in the Rift Valley, the 68-year-old president lashed out at his tormentors - western governments - which twisted his arm, forcing him to introduce multi-party politics by "starving Kenya".

Few African leaders have proved as resistant to the continent's new wind of change. For nearly a quarter century the country had been an African role model and a leading recipient of western aid. Real growth in gross domestic product narrowly outpaced an annual population increase of 3.4 per cent. But from the mid-1980s Kenya's reputation



Kenyan showed their belief in democracy by queuing for hours to vote, but the experience has been painful for Mr Moi

became ever more tarnished by human rights abuses, economic mismanagement and corruption that ate away at reform attempts.

A year ago, the country became a test case: could international donors, by linking aid to good government, nudge an unwilling autocrat down the road towards democracy and economic transparency? And could democracy take root in a tribally based African nation after more than a quarter century of rotten one-party rule? For the moment, the jury is still out on the experiment.

Provisional results from 187 of the 188 constituencies

showed last night that, technically, Mr Moi and the ruling party Kanu are back in power, but the veteran leader has been badly mauled.

He has won the presidency against stiff competition from Mr Kenneth Matiba, but with only 36 per cent of the presidential poll against Mr Matiba's 27 per cent. In the parliamentary election Kanu was last night headed for a narrow majority, but only if the 12 MPs which can be nominated by the president are included in the total. Several of Mr Moi's most important heavy-weight supporters, such as Mr Ndolo Ayah, the foreign minister, and Mr Elijah Mwangale, the agriculture minister, were defeated in an election that claimed 14 cabinet ministers.

However, the opposition yesterday said that it did not accept the results of an election which, it claims, was "biasedly rigged" and marked by widespread intimidation, massive fraud and introduction of illegal ballot boxes.

Any electoral abuses, however, did not protect Mr Moi from the humiliating exposure of the depth of his unpopularity among the Kikuyu and Luo, Kenya's two largest tribes. Kanu failed to secure a single seat of 26 constituencies in the Kikuyu homeland of Central Province and won only one seat in the Luo-dominated Nyanza Province. In the presidential poll Mr Moi won a mere 25 per cent of the vote in Central Province.

Should he try to govern in defiance of the opposition parties, he will be unable to include members of Kenya's most powerful and politically active tribes in his cabinet. Many political observers believe this will make it almost impossible for him to rule.

At a hasty meeting the three main opposition parties - Ford-Asili led by Mr Matiba, Ford-Kenya led by Mr Jara-

mogi Oginga Odings and the Democratic party led by Mr Mwai Kibaki - said they were forming a united opposition front to "avert the imminent crisis in the country". They demanded fresh elections and said they were determined to prevent Mr Moi from assuming office. Behind these demands lies the considerable threat of violence which the opposition could initiate to bring the country to its knees.

As politicians, in government and in opposition, grope to come to terms with the new post-electoral reality, the role of western governments remains critical. Having initiated the process of change by freezing aid worth US\$350m-\$400m a year, they now have to keep pace with developments.

Like the Commonwealth and other observer groups, they have been reluctant to condemn the poll as "unfree and unfair", and inclined to argue in favour of a "second best" solution - in which Kenya is seen as having taken a "first step on the road to democracy" and Mr Moi remains in power, but faces the checks and balances provided by a powerful parliamentary opposition.

The US, Britain and other donors have to walk a delicate path between legitimising Mr Moi and recognising the power of the opposition. The performance of the opposition to date has not been distinguished, however, and its capacity to act as an effective coalition has yet to be proved.

The patient queues of voters were eloquent testimony to the belief of Kenyans in the ballot box, but the result showed that

democracy in Kenya remains dominated by tribalism. Thirty years after independence, ethnic loyalties and rivalries, not ideology determine voter allegiances.

In the weeks ahead, Mr Moi will surely continue to exploit these differences and seek to buy off opposition by persuasion, intimidation or patronage. In the meantime the opposition lacks the machinery to organise extra-parliamentary action such as a general strike. The trade union movement is weak and poorly led and it is unlikely that it could coordinate a strike or other protest. However, the ability of the opposition to call out tens of thousands of demonstrators on to the streets of Kenya is formidable, even if it cannot control the outcome.

Meanwhile, the political machinations under way are certain to distract attention from the most severe economic crisis Kenya has faced since independence, exacerbated by massive extra-budgetary funding of Kanu's election campaign.

Symptoms of the crisis include a rate of inflation now exceeding 40 per cent a year, money supply growth well above a target of 10 per cent, a soaring budget deficit and a continuing foreign exchange squeeze.

The population of 26m is set to double by 2010 and hunger for land is increasing in a country two-thirds arid or semi-arid and with no known mineral resources. The country's largest foreign earner, tourism, has already been badly hit by fears of instability and violence.

Unless a political accommodation is reached, the economic decline will become irreversible and, as the economy falters and unemployment rises, the prospects for strife grow ominously greater.

After the traumas of 1992, the new Paris opera house faces a critical year, says Alice Rawsthorn

Operatic melodrama

When the curtains swung to a close at the end of Messiaen's *St Francis of Assisi* at the Opéra Bastille in Paris on Tuesday, it marked the end of a traumatic year at France's lavish new opera house.

The trouble started this summer when a set collapsed during a touring production of *Otello* in Seville, killing one singer and injuring 38 others. The tragedy aggravated the tension among the Bastille management. Mr Philippe Bélaïval resigned as chief executive in August, together with six senior colleagues. Then there was a furor over the new contract of his former foe, Mr Myung-whun Chung, now one of the highest-paid artistic directors in international opera.

The new management is beginning a critical year. It must heal the scars of Seville and establish the Bastille as a centre of excellence in international opera. It may also confront a less sympathetic political climate if, as the opinion polls suggest, the ruling Socialists, who founded the Opéra Bastille, lose the March general elections and the right returns to power.

The litany of trials and tribulations is very different from the picture painted by President François Mitterrand in 1982 when he unveiled his plans for a new "people's opera". Paris opera was in the doldrums. The old Opéra Garnier was run down. The president envisaged a brand new opera house with

cheap seats, state-of-the-art acoustics and magnificent music.

The government spent almost FF83bn to build the 2,700-seat house at place de la Bastille. It is run as part of the Opéra de Paris together with the Garnier, now used for dance, and the smaller Opéra Comique. It has an annual budget of FF800m, of which the state provides 65 per cent. President Mitterrand in 1988 appointed Mr Pierre Bergé, one of his staunchest supporters and dubbed *Pierre le Punisher* for his ruthless style in running the Yves Saint-Laurent fashion house, as chairman of Opéra de Paris.

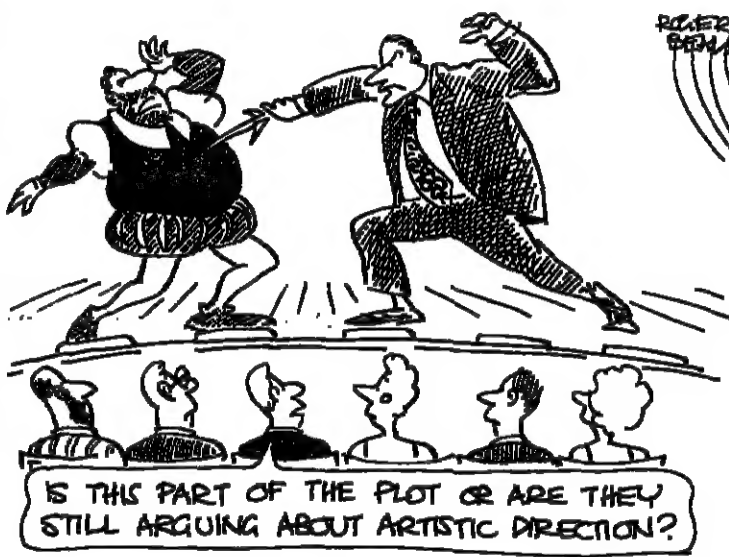
But the melodrama began even before the Bastille's opening. A string of resignations culminated in early 1989 with that of Mr Daniel Barenboim, the conductor, who stormed out as artistic director after a row with Mr Bergé. Mr Chung, then a comparatively obscure Korean conductor, succeeded him. The Opéra Bastille opened its first full opera, *Les Troyens* by Berlioz, in March 1990 to mixed reviews.

The reviews have remained mixed ever since. The Bastille is almost always full, with an audience of 382,590 last year. It has also had some success in fulfilling its populist mandate. Almost a third of its audience are first-time opera goers. But it has been haunted by

complaints about the building, a lacklustre response from the critics and more management problems.

"I'm French and I'm an opera buff, I want it to work," said Mr Alain Lompech, opera critic of the daily newspaper, *Le Monde*. "But there has only been one production good enough to launch Paris opera on the international arena - Shostakovich's *Lady Macbeth*, directed by Chung."

One obstacle is the glacial, modernist building, designed by Carlos Ott, which has been criticised on architectural and musical grounds. "It was a wonderful idea to build a new opera house, but the acoustics are not great and the theatre is a disaster," said Mr Max Loppert, the FT's opera critic. "The scale of the stage makes it difficult to put on anything other than the very biggest operas."



The Bastille is now mooting plans for a *Petite Salle* with 1,100 seats for smaller productions. However, its hopes of securing the state's financial support could be scuppered if the Conservatives win the March elections. Last time the right was in power, in the mid-1980s, it tried to scrap the Bastille project by calling a halt to the

building work. A future Conservative government might be less generous to the new opera house than the sympathetic Socialists.

Meanwhile, there is little the Bastille can do about its labyrinthine layout. "It's impossible to find your way around," said Mr Lompech. "I've been there dozens of

times but I'm still so confused that, whenever I leave my seat, I can't find my way back."

The Bastille has also been haunted by the strikes and stoppages that dogged the Garnier. The French government balked at adding a battle with the opera unions to its other difficulties before the opening, so the new house retains the old union agreements, which have hampered it with a high wage bill and rigid working practices. The "people's opera" is also burdened by high prices: tickets range from FF50 to FF500, but two-thirds cost more than FF200.

Mr Bélaïval spent his 20 months as chief executive in intricate negotiations, trying to thrash out a new union agreement. But this summer Mr Bergé intervened, and bowed to union pressure by extending the deadline for the negotiations from August to November. Mr Bélaïval, already tiring after rows with Mr Chung over who was to blame for the Seville disaster, resigned. The November deadline has passed, but the negotiations are still going on.

The union problems, combined with frequent management changes - Mr Bélaïval was the fourth chief executive to resign in as many years - have made it difficult for the Bastille to fulfil its creative potential. Mr Loppert's view is that it has "not lived up to expectations". Even Mr Chung admitted to *Le Monde* this autumn that he was unhappy with the quality of output and that, in three years, he had only been satisfied with one production, *Lady Macbeth*.

far only half the injured singers have returned to work. Mr Chung must then get to grips with its music, while the management, under Mr Jean-Paul Chazal, the new chief executive, tackles the unions.

There are some positive signs. Mr Chung's new contract not only increases his financial package - which will rise from FF3.3m next year to FF5m at the end of his six-year term - but also considerably extends his power. "Until now he hasn't really had the chance to be anything other than a good conductor," said one critic. He now has complete control over programming and artistic policy, and will be consulted on some administrative issues.

Mr Chazal, meanwhile, is a high-flying bureaucrat, who has headed the Socialist arts administration reforms but who also has the advantage of close contacts with the right, having worked for a Conservative minister in the mid-1980s. His ability to straddle both sides of the French political arena could prove invaluable to the opera house after the elections.

But if there is a change of government this spring, it seems doubtful that even Mr Chazal will be able to prevent the Opéra Bastille from being engulfed in a reversion of the mid-1980s power struggle between President Mitterrand and the Conservatives, particularly as Mr Bergé is so close to the president. The Opéra Bastille seems set for another melodramatic year.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Eye eye eye

From Mr Adrian P Hewitt.

Sir, Congratulations on producing a page III at last ("Fashion: Undercover guide on what to buy her", December 24). I am sure the use of Roman numerals will prevent any drift down-market.

Adrian Hewitt, 16 Framfield Road, London N5 1UD

BBC low-cost TV stations

From Mr Gordon D Lean.

Sir, Re Raymond Snoddy's article, "Broadcasting newcomer promises cost-effective TV" (December 21), on the new approach to television which TSW is adopting in the West Country, we at the BBC have not been slow off the mark to adopt lowest solutions when building new TV stations.

For the BBC World Service TV network, our engineers took the project from concept to reality in less than three months, creating a fully automated three-camera studio, editing and transmission suites, and a newsroom for a fraction of the cost of TSW's bid.

Following our fact-finding mission to Europe, a big saving for this 24-hour network was the use of fluorescent studio lights which removed the need for additional air conditioning. This was all completed in 1991 and the network has been operating to an increasing worldwide audience ever since.

Gordon D Lean, chief engineer, news & current affairs, BBC, Television Centre, Wood Lane, London W12 7RJ

No substitute for insuring safety of pensions benefits

From Mr Tom Shucksmith.

Sir, A central fund (Letters, December 24) is no answer at all to pensions protection. There can be no substitute for trustees ensuring there are adequate funds to secure at competitive insurance company rates the defined deferred benefits which fall to be preserved on winding-up on a guaranteed basis. It may be that some funds are so large that no UK insurance company is capable of accepting the risk and, in these circumstances, the substitution of money purchase benefits may be inevitable. Indeed, it should be available as an option to members of all wind-up schemes.

However, such options are no reason to permit the discharge of obligations by transfer payments to a discontinuance fund or other arrangements of lesser value than the insurance market cost of securing the defined benefits for each member. To substitute transfer values based on high assumed investment returns from equities is to substitute hope value for guaranteed benefits. Potential benefits, as a

supremism for expected benefits stripped of their guarantee, are not an acceptable substitute. The fact that, after completion of winding-up, a scheme no longer enjoys the financial support of the employer is an important factor which cannot simply be ignored.

Mr Cockbain's proposed discontinuance fund would be a solution if he and his partners personally guaranteed the deferred benefits to which members are entitled under preservation legislation. If they did, I suspect the "appropriate transfer payments" would be very much larger than they have in mind at present and that they would alter the proposed investment strategy radically away from equities and towards fixed-interest or index-linked securities which provide a much closer match to the liabilities to be met.

T S Shucksmith, Shucksmith & Co, consulting actuaries, Lincoln House, Nuteley Lane, Reigate, Surrey RH2 9HP

Onerous burden in order to satisfy Inland Revenue

From Mr R LeGrove.

Sir, The Q & A Briefcase item, "How to work out that CGT bill" (December 15), highlights the onerous burden that this tax imposes. I had rather similar calculations to perform earlier this year when I sold some accumulation units each tax voucher since March 1982 had to be indexed. I reached retirement age more than eight years ago but fortunately I am still sufficiently numerate to cope.

Monthly savings schemes and accumulation funds are, by their nature, most likely to be cashed in by elderly persons who had prudently been using them to make extra provision

for their old age. Many might find the calculations daunting if not altogether beyond them.

Pensioners ought not to find themselves obliged to incur accountants' fees in order to satisfy the Inland Revenue a very poor reward for their efforts.

The sums involved are unlikely to be large and a budget concession absolving the elderly from CGT liability on savings schemes of these sorts would be most welcome. Something for the chancellor to think about when he has a moment to spare.

R LeGrove, 9 Manor Gardens, Sacumdhon, Suffolk IP17 1ET

Palestinians exiled not deported

From Mr J P de Rooy.

Sir, I would like to point out your erroneous word usage in relation to the exile of 400 Palestinians. In most articles you use "deport", "deportee", and "deportation". ("Court rejects appeal to reverse Israeli expulsion of Palestinians", December 23). According to my dictionary, deportation is the "banishment of an undesirable alien to his native country". "Deportation" would imply the

Palestinians are "aliens", "undesirable" and that this practice by the Israeli government is lawful and within the right of any country.

The correct terminology should be either "exile" or "banishment". The term "expulsion" is preferable to "deportation".

J P de Rooy, 30 Copenhagen Gardens, Southfield Road, Chiswick, London W4 5NN

Inflation factor that makes early leavers the big pensions losers

From Mr Hugh Long.

Sir, Re Alan Smallbone's letter (December 30), I believe adequacy of pensions is more significant than security. Deferred members of defined benefits schemes subsidise schemes, via inflation, to provide promised benefits for the few who reach retirement with the same company.

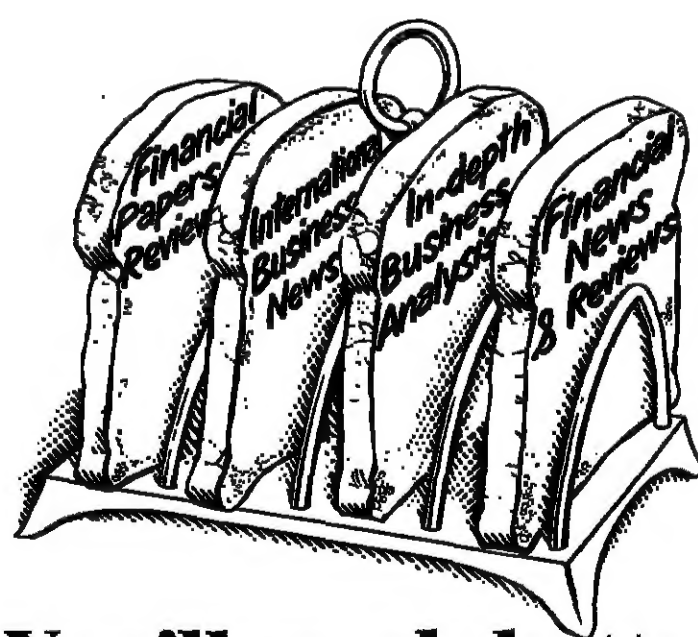
You have reported a well-known insurance company as calculating the shortfall for early leavers to be equivalent to a 70 per cent increase in

combined contributions to company schemes. I calculate that, nationally, the loss caused by inflation is about £20bn a year for early leavers.

Many deferred pensioners joined schemes as a condition of service. One can draw one's

own conclusions on the ethics of such schemes and government reluctance to act decisively to end completely the anomaly created by inflation.

Hugh Long, 67 Dartmouth Park Road, London NW5 1SL



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Banque Indosuez sets up FF600m HQ leaseback

By Alice Rawsthorn in Paris

BANQUE INDOSUEZ, the French investment bank which has been one of the most prominent casualties of the Paris property crisis, has concluded a FF600m (\$100m) sale and leaseback deal for its headquarters with an unnamed French bank.

The leaseback deal, which should produce a profit of almost FF600m, follows shortly after Suez, the French industrial and financial group that owns Indosuez, announced that it was pumping FF900m into the bank in a recapitalisation package intended to compensate for the losses on its property portfolio.

The precarious state of the Paris property sector emerged as a serious problem last year for a number of French financial institutions. Paris property has been in the doldrums for three years, during which average rents have fallen by 20 per cent.

As a result many of the banks and insurance companies, which are the main investors in the market, have taken

significant losses on their property holdings.

Indosuez alone saw its net profits for the first half of 1992 fall to just FF82m from FF171m in the same part of 1991 after it was forced to write down its provisions to FF1.39bn. Mr Antoine Jeancourt-Galland, chairman of Indosuez, said at the time that he hoped to avoid making a loss for the full year. The proceeds of the leaseback of the bank's grandiose headquarters on Boulevard Haussmann should eradicate that risk.

The transaction will also bolster Suez, which has been hit by the property problems of Banque La Hénin, another subsidiary. The deal comes while Suez is under pressure from Union des Assurances de Paris, the largest French insurer which is one of its biggest shareholders, over the latter's unsuccessful attempts to acquire control of Indosuez.

A number of French companies have recently negotiated sale and leaseback deals as part of capital-raising exercises.

Pinault-Printemps sells kitchen chain to cut debt

By Alice Rawsthorn

PINAULT-Printemps, the French retailing group, has sold Mobis Expansion, a chain of kitchen furniture shops, to the Guy Emmerik furniture company as part of its ongoing programme of raising capital to reduce its debts.

Mobis, a chain of 41 shops across France, belonged to Conforama, the group of furniture stores bought for FF4.4bn (\$600m) by Pinault in 1981. The Conforama deal was one of the first stages of the transformation of Pinault, originally an obscure timber group based in Brittany, from an industrial concern into a broadly-based retailing group.

However, Pinault has been burdened by heavy debts since late 1991 when it made a

FF4.3bn partial bid for the Au Printemps stores and mail order group. As a result it has for the past year been selling peripheral businesses to try to bring down its borrowings.

Initially Pinault concentrated on selling its original manufacturing and timber interests. More recently it has been looking for other ways of reducing its debt and in the autumn secured an injection of FF1bn from Crédit Lyonnais, the French bank which is one of its main lenders. Mr François Pinault, chairman, is now reported to be negotiating to buy part of Crédit Lyonnais' junk bond portfolio.

Mobis fits into Pinault's new strategy while Pinault said the disposal would enable Conforama to concentrate on its core chain of furniture stores.

Court ruling clears way for Arnotts takeover bid

By Kevin Brown in Sydney

ARNOTTS, the Australian biscuit maker fighting a hostile takeover bid from Campbell Soup, the US food group, said it would appeal against a court ruling invalidating a 1985 shareholders agreement.

The judgment, delivered by the New South Wales supreme court on Thursday, clears the way for Campbell to pursue its A\$8.80 a share offer, which values Arnotts at A\$1.2bn (\$827m).

Campbell, which already owns 32.9 per cent of Arnotts, is seeking a further 17.2 per cent for majority control, but has offered to buy all the 67.1 per cent of the shares it does not own.

Arnotts argued that the agreement between the companies prevented Campbell from voting more than 14.5 per cent of the stock or appointing a majority of directors unless it acquired more than 85 per cent of the shares.

However, Justice Windeyer ruled that the agreement was valid only while Campbell's shareholding remained below 40 per cent, freeing Campbell to seek control of Arnotts.

The agreement was drawn up in 1985 when Campbell took a friendly shareholding in Arnotts as part of its defence against an unwelcome takeover bid by Mr Alan Bond.

The judge said the agreement was intended to prevent Campbell from seeking control of Arnotts without paying for it. He said the agreement had no bearing on a full takeover offer.

Campbell delayed the closing date for its offer by two weeks in response to the ruling. The offer, which is with shareholders, will now expire on January 28.

Analysts say Campbell may have to raise its bid, following suggestions by the two largest institutional shareholders that the offer price was too low. An independent report commissioned by Arnotts valued the group at a minimum of A\$10.78 a share. The shares closed at A\$9.30 on the Australian Stock Exchange on Thursday.

Novell rallies ally for software war

Louise Kehoe on preparations to challenge Microsoft's expansion

Novell, the US networking software company, is positioning itself for what may become the computer software marketing battle of the decade, with its planned acquisition of AT&T's Unix Systems Laboratories.

Novell is on a collision course with Microsoft, reigning champion of the software industry, in a fight to establish the dominant software system for the next generation of networked computer systems.

Currently, Novell is the leading supplier of software that manages the communications between computers linked on networks. Microsoft, however, leads the market for personal computer operating systems.

The functions of operating systems and network management systems are, however, beginning to overlap and the trend is expected to accelerate when Microsoft next year launches "Windows NT" a new version of its popular personal computer operating system that incorporates network management functions.

What is more, Microsoft has ambitions way beyond the desktop computer. Mr Bill Gates, Microsoft chairman and chief executive, has made no secret of the fact that with Windows NT he aims to address a broader segment of the computer market, including classes of computers that run the Unix operating system.

Thus Novell's acquisition of



Bill Gates at the New York launch of Windows for Workgroups

Unix represents a move to counter Microsoft's anticipated attack. By putting its marketing muscle behind Unix, Novell aims to accelerate the adoption of the AT&T developed operating system and reinforce its role as an "industry standard".

Yet with the acquisition of Unix, Novell will also inherit a history of feuding over Unix which began in the mid-1980s with AT&T's unpopular stance toward "commercialising" the operating system through a partnership with Sun Microsystems, the leading workstation manufacturer.

Rival industry groups backed

different versions of Unix, amid suspicions AT&T was favouring Sun over other computer makers.

These battles led to the formation of UNIX in 1991, as an independent business unit that would develop Unix technology while providing all licensees with equal access to development plans. This was underwritten by the acquisition of minority stakes in Unix by several computer and software companies.

Novell's acquisition of Unix will, however, once more place Unix under the control of a single company, potentially resur-

recting the old "Unix wars". "Since AT&T will no longer own Unix, this eliminates some of the old prejudices that have kept Unix in two camps and can help lead to the unification of Unix," said Mr William Roulants, Hewlett-Packard vice-president and general manager of the computer systems.

HP was a founding member of the Open Software Foundation, an industry group that emerged in opposition to AT&T's control over Unix. HP already has "an excellent relationship" with Novell, Mr Roulants said. The same is true of several other open systems computer manufacturers.

Unix International, an industry organisation formed to back AT&T's version of Unix, was also quick to pronounce its approval of the Novell acquisition.

"As part of Novell, Unix has pledged its commitment to fair and neutral access to Unix technology," said Mr Peter Cunningham, Unix president and chief executive.

The willingness of Unix supporters to adopt Novell as their new champion and put aside the in-fighting that has characterised the open-systems movement over the past few years represents a strong endorsement of Novell. It also, however, suggests a closing of ranks in anticipation of the battle between Unix and Microsoft's Windows NT.

Banesto deal is key step in sale of Acerinox

By Tom Burns in Madrid

THE sale of Acerinox, the Spanish integrated stainless steel producer, to a multinational group has taken an important step forward with the sale of 24.9 per cent of its equity by Corporación Banesto, the industrial holding group, to its parent, the retail bank Banesto, for Ptas2.5bn (\$202m).

The bank, which is understood to be negotiating with several groups interested in Acerinox, paid Ptas9,500 per share to Corporación Banesto compared with the market price of Ptas3,340. This puts a price tag in excess of Ptas100bn for Acerinox against a market value of between Ptas50bn and Ptas70bn.

The deal between the conglomerate and its controlling shareholder was viewed as window dressing for the industrial holding company's balance sheet, which will realise capital gains of about Ptas4.9bn from the deal, and as an important step towards the sale of Acerinox, a company which for several months has been cited as ripe for disposal.

Under new guidelines governing ownership by banking institutions of industrial assets, Banesto, which consolidates its accounts with Corporación Banesto, has to reduce its stake in companies such as Acerinox. Analysts believe that the change in the steel producer's equity from the industrial holding to the parent bank smooths the path towards its sale in addition to setting a national price for the company.

Groups cited as expressing an interest in Acerinox include Iva of Italy, South Africa's Gencor and Anglo American, France's Usinor-Sacilor and Nishin Steel of Japan. Acerinox has a 33 per cent stake in a 110,000 tonnes Mexican cold rolling mill controlled by Mexinox and shares ownership with Arco of the US of North American Stainless with its 120,000 tonnes cold rolling mill in Kentucky. Acerinox's first half consolidated profits this year fell by 69 per cent to Ptas1.2bn.

Besnier's 8% stake in Bel fuels takeover speculation

By Alice Rawsthorn

BESNIER, the acquisitive French cheese group, has been building a stake in Bel, the maker of one of France's best known soft cheeses, fuelling speculation that it might eventually try to take control of the company.

The French cheese industry is in the throes of restructuring chiefly due to the expansion of Besnier, a family firm led by Mr Michel Besnier, which recently bought Les Caves du Rouffignac and the Perrier takeover saga, and Besnier, its chief competitor. These companies have been

steadily increasing their interests by buying up the smaller cheese makers that are finding it increasingly difficult to compete in the European market, now dominated by multinational groups, notably Nestlé and the hypermarket groups.

Besnier, which now makes annualised sales of FF22bn (\$4bn), disclosed this week that it has bought 8.1 per cent of Bel including 5 per cent of the voting stock. Bel is a publicly quoted company but controlled by the Fievet family. However, Mr Robert Fievet, chairman, is 84. Rumours of his retirement have fuelled speculation about the future ownership of Bel.

French insurers top active list for cross-border deals

By Richard Lapper

FRENCH insurers have been the most active in European cross-border expansion while Italy has been the country most frequently targeted, according to a survey by Tillinghast, the management consultants and actuaries.

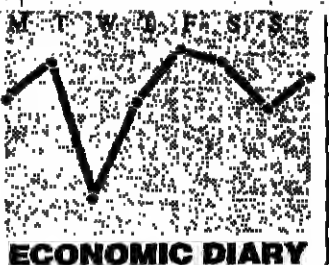
The survey lists 201 cross-border initiatives between 1987 and 1991, of which French companies were responsible for 54.

The favoured targets of the developing companies were the developing markets of Italy (40) and Spain (25), while 29 of the new initiatives favoured France.

British companies were responsible for 45 initiatives, although only 14 have taken place in 1990 and 1991, and several of the earlier initiatives, such as those taken by Guardian Royal Exchange in Italy in 1988, have already unwound.

Swiss companies took 31 initiatives, Italian companies 17 and German companies 15.

The technique most favoured in cross-border initiatives was acquisition - either outright or by building up a stake. Genuine co-operative agreements such as the merger between Amey of the Netherlands and Groupe AG of Belgium, were rare.



ECONOMIC DIARY

TODAY: Start of two-day summit meeting between Mr George Bush, US president, and Mr Boris Yeltsin, Russian president, in Sochi to sign a 2 arms reduction treaty. Mr Alija Izetbegovic, Bosnian president, Mr Radovan Karadzic, Bosnian Serb leader, and Mr Mate Boban, Bosnian Croat leader, due to arrive in Geneva for face-to-face talks on the Bosnian crisis. Inauguration of national defence and security council and civilian-led transition council designed to lead Nigeria to civilian rule on August 27.

WEDNESDAY: US construction spending (November). First day of trading after Portugal lifted all remaining controls on capital movement, allowing foreigners into short-term public debt market for the first time and abolishing the present barrier between the domestic and offshore money markets. General Agreement on Tariffs and Trade negotiators are expected to resume efforts to wrap up Uruguay Round of world trade talks.

TUESDAY: UK official reserves (December). Major British banking groups' quarterly analysis of lending (September - November). London sterling certificates of deposit (November). Monetary statistics (including bank and building society balance sheets) (November). Bill turnover statistics (November). Sterling commercial paper (November). Money market statistics (November). Overseas travel and tourism (October). Advance energy statistics (November). New Euro area Commission holds first formal meeting in Brussels. Indonesian budget.

THURSDAY: New vehicle registrations (November). Friday: Cyclical indicators for the UK economy (November) - first estimate. Housing starts and completions (November). House renovations (third quarter). US unemployment (December). (non-farms) consumer credit (November).

FT-SE Actuaries Share Indices

FT-Actuaries All-Share

EQUITY GROUPS

Thursday December 31 1992

Figures in parentheses show number of stocks per section

Index No.	Day's Change	Est. Earnings (p)	Est. Div. Yield (%)	Est. P/E Ratio	Est. Div. Yield (%)	Est. P/E Ratio	Est. Div. Yield (%)	Est. P/E Ratio	Est. Div. Yield (%)	Est. P/E Ratio
1 CAPITAL GOODS (175)	875.84	+0.4	6.41	20.32	31.00	872.26	873.55	868.01	740.66	929.04
2 Building Materials (225)	889.03	+0.3	5.72	20.49	30.49	886.33	887.64	888.63	881.49	1121.52
3 Contracting, Construction (28)	739.29	+1.2	3.79	70.39	37.49	737.51	738.83	740.14	731.15	115.65
4 Electricals (9)	259.13	+0.8	6.56	59.11	25.91	257.62	258.93	260.24	251.50	275.80
5 Electronics (28)	259.29	+0.2	5.66	19.45	52.39	257.63	258.94	260.25	251.51	275.81
6 Engineering-Aerospace (6)	256.57	+0.2	11.92	7.92	10.68	254.65	255.96	257.27	248.74	261.11
7 Engineering-General (43)	513.35	+0.7	7.87	49.19	17.35	510.48	511.79	513.10	504.20	567.25
8 Metals and Metal Forming (7)	322.95	+0.5	5.24	3.99	27.02	317.71	319.02	320.33	311.37	379.31
9 Motors (15)	376.76	+0.1	5.40	6.29	27.02	371.27	372.58	373.89	364.96	403.06
10 Other Industrials (16)	376.76	+0.1	6.13	4.18	19.71	372.58	373.89	375.20	366.17	399.18
11 Engineering-General (43)	513.35	+0.7	7.87	49.19	17.35	510.48	511.79	513.10	504.20	567.25
12 Food Retailing (18)	326.85	+0.2	7.91	1.12	16.45	325.74	327.05	328.36	319.13	349.35
13 Health and Household (26)	427.94	+1.5	5.21	2.65	22.33	425.13	426.44	427.75	418.54	449.94
14 Hotels and Leisure (18)	1253.51	+1.3	6.50	2.33	20.32	1250.01	1251.32	1252.63	1243.51	1265.04
15 Media (25)	1832.94	+0.5	5.43	2.83	22.02	1829.51	1830.82	1832.13	1823.51	1843.51
16 Packaging, Paper & Printing (17)	784.64	+0.1	6.65	4.15	18.64	781.19	782.50	783.81	774.55	815.35
17 Retail (17)	1166.85	+0.6	6.26	3.11	21.21	1163.35	1164.66	1165.97	1156.35	1167.66
18 Stores (13)	1166.85	+0.6	6.26	3.11	21.21	1163.35	1164.66	1165.97	1156.35	1167.66
19 Textiles (12)	781.77	+0.4	4.32	4.49	19.89	778.25	779.56	780.87	771.56	782.87
20 Other (11)	1166.85	+0.6	6.26	3.11	21.21	1163.35	1164.66	1165.97	1156.35	1167.66
21 Business Services (17)	1527.06	+0.3	5.81	3.33	21.09	1523.56	1524.87	1526.18	1517.56	1528.87
22 Chemicals (22)	1432.43	+0.1	6.41	5.11	21.67	1428.93	1430.24	1431.55	1422.93	1433.24
23 Conglomerates (10)	1392.92	+1.6	8.47	8.49	13.47	1384.43	1385.74	1387.05	1378.43	1389.74
24 Transport (14)	2777.39	+0.1	8.08	4.29	14.88	2773.89	2775.20	2776.51	2767.89	2779.20
25 Electricity (16)	1581.39	+0.4	13.71	4.81	9.38	1577.89	1579.20	1580.51	1571.89	1583.20
26 Telephone Networks (4)	1669.29	+0.3	7.89	4.05	16.48	1665.79	1667.10	1668.41	1659.79	1671.10
27 Water (11)	3275.94	+0.2	12.95	5.41	7.96	3272.44	3273.75	3275.06	3266.44	3277.75
28 Financial (17)	2489.17	+0.2	5.77	22.24	10.57	2485.67	2486.98	2488.29	2479.67	2490.98
29 INDUSTRIAL GROUP (18)	1440.84	+0.4	7.23	4.10	17.26	1437.34	1438.65	1440.96	1431.34	1442.65
30 Oil & Gas (18)	2223.15	+1.0	5.91	5.77	22.24	2219.65	2220.96	2222.27	2213.65	2224.96
31 S&P SHARE INDEX (300)	1517.38	+0.5	7.09	4.28	17.67	1513.88	1515.19	1516.50	1507.38	1518.69
32 FINANCIAL GROUP (20)	879.08	+0.9	4.99	4.99	29.39	875.58	876.89	878.20	869.58	880.89
33 Banks (9)	1198.82	+0.5	5.09	4.65	29.39	1195.32	1196.63	1197.94	1186.32	1197.63
34 Insurance (16)	770.26	+1.2	5.15	6.18	17.91	766.76	768.07	769.38	760.76	771.07
35 Insurance (Comptrol) (7)	631.22	+0.6	6.18	6.18	17.91	627.72	629.03	630.34	621.72	633.03
36 Insurance (Brokers) (10)	778.33	+0.6	7.97	6.18	16.86	774.83	776.14	777.45	768.83	780.14
37 Merchant Banks (6)	504.29	+0.2	4.53	16.75	503.24	501.74	503.24	504.75	495.74	506.25
38 Property (30)	643.22	+0.1	8.47	6.56	15.48	639.72	641.03	642.34	632.72	644.03
39 Other Financial (14)	303.44	+0.4	6.60	5.52	19.83	300.94	302.25	303.56	294.94	305.25
40 Investment Trusts (69)	1341.00	+0.2	4.26	3.21	13.88	1337.50	1338.81	1340.12	1329.50	1341.81
41 ALL-SHARE INDEX (351)	1363.79	+0.4	5.35	4.73	13.88	1360.29	1361.60	1362.91	1353.79	1365.20

FT-Actuaries FIXED INTEREST INDICES

PRICE INDICES

Thursday December 31 1992

Day's change

Accrued interest

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

1992 to date

COMMODITIES AND AGRICULTURE

YEAR IN THE MARKETS

Prices end back at square one after another turbulent year

RECESSION and continued turbulence in the former Soviet Union have left commodity prices little changed at the end of the year from those seen last January. But that bald statement belies the level of activity in the markets.

On the London Metal Exchange the flood of imports from the former Soviet Union pushed nickel prices sharply down and kept a firm lid on the aluminium market, where warehouse stocks now stand above 1.5m tonnes. The zinc market suffered a classic squeeze. Copper, still traded in sterling, appears to have risen sharply until the figures are converted to dollars - around \$1 a lb looks set to be the going rate this January as last.

Gold has fallen further, hit by an almost total lack of interest from investors. Both platinum and silver have continued to settle into their relatively new roles as industrial metals.

Cocoa and coffee prices have touched their lowest levels for 20 years or more before recovering. The lack of activity in the sugar market has left London with virtually no futures trading.

Gold fell to a six-year low in late March as it crashed through what had been seen as the last line of defence - \$342 a troy ounce. Persistent selling, some of it thought to be on behalf of an eastern European central bank, coincided with Ramadan, the Islamic fast, which kept most Middle Eastern operators away from the market.

By Easter gold was at a fresh low of \$336.80 a troy ounce, with dealers predicting that the price was bottoming out. They were proved right for a time as the market began to climb, brushing aside an announcement by the Belgian central bank that it had sold 202 tonnes from its reserves.

Platinum was also rising as South African unrest made users reluctant to go short in case of a miners' strike. In July the platinum price hit the year's high of just over \$900 a troy ounce. But some analysts pointed out that the market was ignoring weak demand from Japan and continuing recession in the US.

Gold reached its peak for the year of just under \$380 a troy ounce a few days after platinum - and then both markets slid steeply, leaving one analyst just two weeks later describing \$355 for gold as "like the Matterhorn". On one mid-August day gold fell by more than \$8 and platinum by \$16 a troy ounce.

The withdrawal of US investment funds sparked the gold fall, which was exacerbated by more news of central bank selling - this time from Uruguay, which unloaded 50,000 troy ounces in July in order to buy fixed term deposits denominated in US dollars and D-marks. Platinum slid along with the Japanese equity market.

The European currency market jitters of September gave some support to gold, but South African and Australian producers were able to lock in profits in their own currencies through forward selling. Gold has not had a good year; Middle East sales in November finished the battering from central bank sales and the total lack of investor interest and took the market to a 7-year low of \$339.30. It has not made much headway since, closing at \$333.05 a troy ounce on Thursday, down about \$20 on the year.

Platinum ended the year at \$355.25 a troy ounce, some \$20 above its price at the beginning of the year. Optimism about a recovery in Japanese demand and positive charts point to further gains, analysts believe.

Silver hit an 18-month low of \$64.75 cents at the end of August and closed at \$67.5 on Thursday, 20 cents down on the year. The biggest excitement of the year was the Saudi sale via the National Commercial Bank of Jeddah of \$160m worth of silver - equivalent to more than 10 per cent of world demand - in just two hours early in July, knocking more than 20 cents off the price.

Like most of the base metals copper began the year in a fairly hopeful mood. Chilean strike fears and technical factors had helped to lift prices to 24-month highs by mid-February, before some of the gains were relinquished in response to reports that Russia, hungry for hard currency, was planning to cut export duties on the metal. In the spring talk of Chinese buying was partly counteracted by concern about the effects of a possible strike in Germany, one of the biggest importers of copper, but as London Metal Exchange warehouse stocks began to be reduced and US recovery hopes started to grow prices climbed to 13-month highs by mid-June.

Bullish sentiment continued - fuelled by concern about supply tightness, Polish labour tension, bad weather in Chilean producing areas and expec-

ted demand growth - and a month later copper prices stood at the highest level for 18 months.

From that point the picture becomes blurred by sterling's extreme weakness against the US dollar, in which base metals are traded worldwide. The effect of the pound's decline, most of which was concentrated in the dramatic mid-September devaluation, on copper prices is illustrated by the fact that the two-year sterling high reached in early November equated to a nine-month dollar low. And that factor has continued to dominate the market.

The three months copper price closed on Thursday at \$1,538 a tonne, \$250 up on the year. But once the currency disparity is stripped out the 12-month advance comes down to a much less impressive \$78 a tonne.

For lead, the LME's other sterling-denominated contract, the devaluation effect is even more pronounced, turning what would have been a \$80 fall into an apparent \$8 rise on the year, at \$206.75 a tonne for three months metal.

After a flat start to the year, depressed by sluggish car battery sales, the LME lead market found support in production problems, notably in Italy and Yugoslavia, followed by signs of a technical squeeze on nearby supplies and reports of Chinese buying. Between them, and helped by the pound's weakness, these factors lifted the lead market to a 13-month peak in July. And that was exceeded in the September as a direct result of sterling's plunge. By the end of November, however, the market's fundamental weakness had been reassessed and prices were back to five-month lows.

Another LME market to feel the effects of a squeeze this year was zinc. Signs of the coming technical supply tightness were apparent from the start of the year, though they tended to be obscured by the effects of production problems in Italy, Peru, Canada, Mexico and the US, among others. Hopes of a US retail upturn were also cited as zinc prices reached 15-month highs in March.

of June.

In normal circumstances a backwordation would suggest a shortage of metal available for delivery, but that hardly fitted in with this year's sustained rise in LME warehouse stocks of zinc, which, by the time the cash premium appeared, had grown from 152,000 tonnes at the start of the year to 221,000 tonnes. It was clear, therefore, that some sort of distortion (not to say manipulation) was afoot. The exchange responded by imposing a descending ceiling on the one-day backwordation - is on the cost of carrying forward a short position for one day. The backwordation had disappeared by the end of July, though it made frequent reappearances before the squeeze, suspected to be the work of a group of producers, could confidently be said to be over in early October.

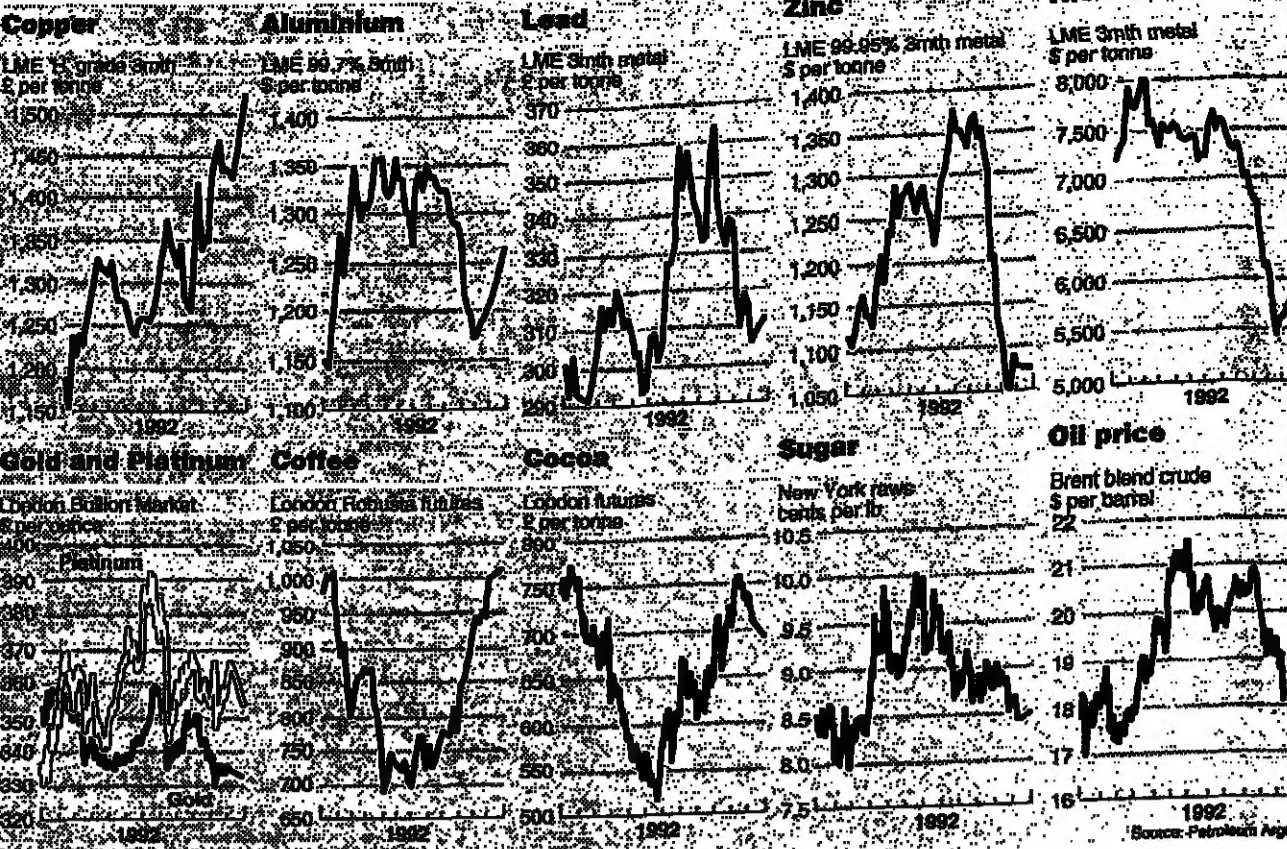
With fundamental considerations taking over direction of the market and the rise in LME stocks continuing the ensuing price slide saw the three months price retreat some \$300 from its summer level to end the year at \$1,079.50 a tonne, down \$35.50 on balance.

The aluminium market had been weighed down in 1992 by the unprecedented growth of the stockpile in LME warehouses, which began 1992 by passing the unwelcome milestone of 1m tonnes. There were hopes that the flood of metal from the former Soviet Union that had been largely responsible for swelling LME stocks would soon abate, especially in view of the inefficiency of smelters in the newly independent republics and their much vaunted espousal of market economics. But the republics' hunger for hard currency proved greater than their commitment to industrial efficiency and with CIS exports remaining very high the LME stockpile grew by another 500,000 tonnes.

Perhaps surprisingly, the market took this pretty much in its stride and the three months LME price ended the year \$110 to the good at \$1,290.50 a tonne.

Gains early in the year were mostly lost in the summer as hopes of economic recovery faded and the gloomy truth about CIS export prospects became apparent. But in the latter part of the year the market was encouraged by the announcement of production cuts.

The highest loser on the LME last year was nickel. The mood was bright enough early on as



traders looked forward to big production cuts in response to the low price level and, as with aluminium, a slackening of CIS exports. The former came too late, however, and the latter came not at all, and the six-month high seen in February proved to be the year's peak.

By the time LME of Canada instituted a round of output cuts in October nickel prices had fallen to two-year lows and LME stocks of the metal rose by 300 per cent on the year so far to nearly 50,000 tonnes. In those circumstances the market was looking for an upturn in demand, especially in the stainless steel sector, to give it the necessary shot in the arm, not simply a reduction in output. Further production cuts were subsequently announced by Falconbridge of Canada, Cuba's state-run producer and Western Mining of Australia - amounting in all to nearly 30,000 tonnes in a full year - but the price slide continued and LME three months nickel closed on Thursday at \$6,023 a tonne, down \$1,192 on the year.

By comparison, the tin market had a good year. LME stocks rose by only 7.4 per cent to 14,710 tonnes and the three months price ended 1992 up \$240 at \$5,845 a tonne.

A life-of-contract low of \$5,455 had been registered at the beginning of the year but by mid-February the market was at a six-month high, reflecting concern about shipment delays from Brazil and Malaysia, the two biggest suppliers. The bullish mood continued throughout the first half, lifting the price to a 25-month high of \$6,950 a tonne, before a reaction was caused by Brazilian and Chinese selling and bearish technical factors. But the market was mov-

ing higher again before the new year, encouraged by buying in Kuala Lumpur and activity in the options market.

For the oil market in general 1992 proved a disappointing year and for members of the Organisation of Petroleum Exporting Countries a worrying one. Having started at the low level of about \$17 a barrel the Brent crude price was buoyed in the spring by optimism about the prospects for demand when the expected industrial recovery began. And the price moved above \$20 a barrel for the first time in six months when Opec ministers agreed unexpectedly in May to roll over its second quarter production ceiling of 22.98m b/d into the third quarter, rather than anticipate the rise in demand.

But by November, in the absence of the expected demand boost, the market was looking for Opec ministers to agree substantial production cuts at their meeting in Vienna. When this did not happen prices fell sharply and it took the political turmoil in Russia, the world's biggest producer, to lift Brent crude back above \$18 a barrel last month.

Of the softs, cocoa began the year in the most optimistic mood as the market looked forward eagerly to the first annual supply deficit for eight years. But, with collapsing demand from the former Soviet Union, hopes of higher prices proved to be a pipe dream, with the market failing to regain the 1991 peak of \$229 a tonne.

The second position contract on London Fox opened the year at \$745 a tonne. The market continued an almost unbroken decline for the next six months. The nadir came at the

end of June, when the second position contract fell to \$509 a tonne, the lowest level for more than 16 years. At these levels countries of origin, including the Ivory Coast, were reluctant to sell, and were also pinning some hope on the outcome of Geneva talks on a new international agreement.

The market began a slow climb back to more than \$750 a tonne in early November, given a boost by sterling's devaluation and an Ivory Coast decision to ban the sale of small beans. But London prices have ended close to \$700 a tonne, and it is worth noting that the nearby New York contract which began the year at \$1,245 a tonne, closed it at \$938.

The Economist Intelligence Unit is predicting a small deficit of 43,000 tonnes for 1992-93, while the US Agriculture Department estimates production and supply in balance at 2.85m tonnes. The EIU expects the next round of talks on a cocoa pact in February to end with a purely administrative pact, and is predicting prices to average about the same as in 1991 at 55 cents a lb.

Coffee prices, like cocoa, went into a steep slide from the beginning of the year. The London robusta market fell by more than \$300 to hit 22-year lows at the beginning of May. The high level of consumer stocks - 19m bags (60 kg each) - left producers with little option but to sell for what they could get.

Throughout the summer the market edged higher, keeping an eye on the International Coffee Organisation's internal negotiations and a new international agreement. The different supply and demand picture for robusta and arabica kept London steady while New York arabicas went below

50 cents a lb in September.

But by the end of October both markets were rallying strongly as traders enjoyed a total change in sentiment, mainly on perceptions of a smaller 1992-93 crop in Brazil, the biggest producer, and Colombia. In December, London's second position robusta contract broke through the \$1,000 a tonne level for the first time since January 8.

The EIU believes the recent rise has been overdone. Consumer stocks are still high and this month's ICO talks are likely to be inconclusive, pushing a new coffee agreement back to 1994.

The centre of gravity for world sugar prices has moved decisively from London to New York, where speculative money provides liquidity. The second position New York raw sugar futures contract has ranged between 8 and 10 cents a lb throughout the year - another market with more than enough production to satisfy demand. For much of the last few months the market has been stuck between 8.5 and 9 cents a lb.

A narrow range with depressingly low traded volumes according to E.D. & F. Man's latest sugar report. But this contrasted with increased volumes of freely traded sugar following the dissolution of the Cuban trading arrangements with Comcon. Man pointed out.

A November report from the UN Food and Agriculture Organisation predicted trade expansion for sugar, but believed that by the turn of the century prices would still be about 10 cents a lb in 1990 terms.

By David Blackwell and Richard Mooney

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES

Commodity	Latest price	Change on week	Year	High	Low
Gold per troy oz.	\$333.05	+0.2	\$263.35	\$338.40	\$332.30
Silver per troy oz.	\$42.50p	-1.25	\$208.0p	\$48.50p	\$17.50p
Aluminium 99.7% (cash)	\$1,227.5	+1	\$1,113.5	\$1,339.0	\$1,055.5
Copper Grade A (cash)	\$1,521.0	+54.5	\$1,154.75	\$1,521.0	\$1,125.0
Lead (cash)	\$296.5	+2.5	\$290.25	\$296.5	\$278.50
Nickel (cash)	\$595.0	+95	\$715.5	\$619.0	\$531.0
Zinc 99.95% (cash)	\$1,061.0	+2.5	\$1,052.5	\$1,061.0	\$1,019.0
Tin (cash)	\$2,758	-10	\$2,577.5	\$2,758	\$2,515.0
Cocoa Futures (May)	\$709		\$709	\$731	\$523
Coffee Futures (Mar)	\$1,023		\$1,023	\$1,038	\$676
Sugar (LDP Raw)	\$211.0	+6	\$230.5	\$272.6	\$193
Barley Futures (Jan)	\$132.00	+0.8	\$122.50	\$138.10	\$106.90
Wheat Futures (Jan)	\$136.50	+0.05	\$126.40	\$138.00	\$108.85
Cotton Outlook (A index)	\$4.50	+0.4	\$1.35	\$6.50	\$2.50
Wool (64s Super)	\$39p	+1	\$41p	\$40p	\$34p
Oil (Brent Blend)	\$18.225x	-0.4	\$17.875	\$21.30	\$17.00

London Markets

SPOT MARKETS

Commodity	Price
Crude oil (per barrel FOB Jan)	+ or -
Dubai	\$16.15-6.20p
Brent Blend (dated)	\$17.00-6.20p
WTI (Feb)	\$16.50-6.20p
WTI (1st Jan)	\$16.50-6.20p

Oil products

Commodity	Price
High prompt delivery per tonne CIF	+ or -
Premium Gasoline	\$181.152
Gas Oil	\$179.180
Heavy Fuel Oil	\$73.74
Naphtha	\$177.175

Petroleum Argus Estimates

Commodity	Price
Other	+ or -

Gold (per troy oz.)

Commodity	Price
Gold (per troy oz.)	\$333.05
Silver (per troy oz.)	\$42.50p
Platinum (per troy oz.)	\$355.25
Palladium (per troy oz.)	\$108.25

Copper (US Producer)

Commodity	Price
Copper (US Producer)	\$108.00
Lead (US Producer)	\$296.50
Tin (Kuala Lumpur market)	\$2,758
Tin (New York)	\$2,758
Zinc (US Prime Western)	\$1,061.00

Cattle (live weight)

Commodity	Price
Cattle (live weight)	\$114.85p
Sheep (live weight)	\$81.00p
Pigs (live weight)	\$81.70p

London daily sugar (raw)

Commodity	Price
London daily sugar (raw)	\$211.00 C
Tate and Lyle export price	\$248.00 C

Barley (English feed)

Commodity	Price
Barley (English feed)	Unq
Maize (US No. 3 yellow)	Unq
Wheat (US Dark Northern)	Unq
Rubber (Feb)	\$4.50p
Rubber (Mar)	\$4.75p
Rubber (1st Jan)	\$4.50p

Cocoa oil (Philippines)

Commodity	Price
Cocoa oil (Philippines)	\$475p
Palm Oil (Malaysia)	\$407.5
Copra (Philippines)	\$302.5
Soyabean (US)	\$173.0
Cotton "A" index	\$4.50p
Wool (64s Super)	\$39p

C Rates shown for Dec 30. £ a tonne unless

otherwise stated. p=per cent, c=cent, x=100, 1/2=50, 1/4=25, 3/4=75, 1/8=12.5, 1/16=6.25, 1/32=3.125, 1/64=1.5625, 1/128=0.78125, 1/256=0.390625, 1/512=0.1953125, 1/1024=0.09765625, 1/2048=0.048828125, 1/4096=0.0244140625, 1/8192=0.01220703125, 1/16384=0.006103515625, 1/32768=0.0030517578125, 1/65536=0.00152587890625, 1/131072=0.000762939453125, 1/262144=0.0003814697265625, 1/524288=0.00019073486328125, 1/1048576=0.000095367431640625, 1/2097152=0.0000476837158203125, 1/4194304=0.00002384185791015625, 1/8388608=0.000011920928955078125, 1/16777216=0.0000059604644775390625, 1/33554432=0.00000298023223876953125, 1/67108864=0.000001490116119384765625, 1/134217728=0.0000007450580596923828125, 1/268435456=0.00000037252902984619140625, 1/536870912=0.000000186264514923095703125, 1/1073741824=0.0000000931322574615478515625, 1/2147483648=0.00000004656612873077392578125, 1/4294967296=0.000000023283064365386962890625, 1/8589934592=0.0000000116415321826934814453125, 1/17179869184=0.00000000582076609134674072265625, 1/34359738368=0.000000002910383045673370361328125, 1/68719476736=0.0000000014551915228366851806640625, 1/137438953472=0.00000000072759576141834259033203125, 1/274877906944=0.000000000363797880709171295166015625, 1/549755813888=0.0000000001818989403545856475830078125, 1/1099511627776=0.00000000009094947017729282379150390625, 1/2199023255552=0.000000000045474735088646411895751953125, 1/4398046511104=0.0000000000227373675443232059478759765625, 1/8796093022208=0.0000000000113686837721616029739379877939453125, 1/17592186044416=0.000000000005684341886080801486968993796875, 1/35184372088832=0.000000000002842170943040400743484496896875, 1/70368744177664=0.0000000000014210854715202003717422484484375, 1/140737488355328=0.00000000000071054273576010018587112422421875, 1/281474976710656=0.000000000000355271367880050092935562112109375, 1/562949953421312=0.0000000000001776356839400250464677810560546875, 1/1125899906842624=0.00000000000008881784197001252323389052802734375, 1/2251799813685248=0.000000000000044408920985006261616945264013671875, 1/4503599627370496=0.0000000000000222044604925031308084726320068359375, 1/9007199254740992=0.00000000000001110223024625156440423631600341796875, 1/18014398509481984=0.000000000000005551115123125782202118158001708984375, 1/36028797018963968=0.000000000000002775557561562891101059079000854921875, 1/72057594037927936=0.0000000000000013877787807814455505295395004274609375, 1/144115188075855872=0.00000000000000069388939039072277526476975021373046875, 1/288230376151711744=0.000000000000000346944695195361387632384875106865234375, 1/576460752303423488=0.0000000000000001734723475976806938161924375534326171875, 1/1152921504606846976=0.00000000000000008673617379884034690809621877671630859375, 1/2305843009213693952=0.000000000000000043368086899420173454048109383358154296875, 1/4611686018427387904=0.0000000000000000216840434497100867270240546916790771484375, 1/9223372036854775808=0.00000000000000001084202172485504336351202734583953857371875, 1/18446744073709551616=0.000000000000000005421010862427521681756013672919769286869375, 1/36893488147419103232=0.000000000000000002710505431213760840878006836459884643436875, 1/73786976294838206464=0.0000000000000000013552527156068804204390034182299423217184375, 1/147573952589676412928=0.00000000000000000067762635780344021021950170911497116085921875, 1/295147905179352825856=0.000000000000000000338813178901720105109750854557485580429609375, 1/590295810358705651712=0.000000000000000000169406589450860052554875427278727762145296875, 1/1180591620717411303424=0.0000000000000000000847032947254300262774377136393638810726484375, 1/2361183241434822606848=0.00000000000000000004235164736271501313871885681968194036132421875, 1/4722366482869645213696=0.000000000000000000021175823681357506569359428409840970180662109375, 1/9444732965739290427392=0.000000000000000000010587911840678753284679714204920485090331046875, 1/18889465931478580854784=0.000000000000000000005293955920339376642339857100246022545165234375, 1/37778931862957161709568=0.000000000000000000002646977960169688321169928550123011272578125, 1/75557863725914323419136=0.000000000000000000001323488980084844160584964275061505362890625, 1/151115727451828646838272=0.0000000000000000000006617444900424220802924821375307526814453125, 1/302231454903657293676544=0.000000000000000000000330

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

An uncertain new year ahead

THE 1992 period will probably go down as one of the most volatile years of currency trading since the Bretton Woods system of fixed exchange rates collapsed in the early 1970s, writes James Blitz.

In spite of the quiet trading of recent weeks, however, there is no reason to suppose that 1993 will bring a sustained period of calm.

For most of the last 12 months, dealers in foreign exchange markets have been obsessed with two burning questions: Is the US set for a sustained economic recovery? And will the Bundesbank seriously ease German monetary policy?

The first question is finding answers. Every new day brings evidence that the US economy is set to grow this year. This week, the US consumer confidence index rose to 78.3 per cent in December from 76.6 per cent the previous month. The leading indicators jumped to

0.8 per cent in November from October's 0.5 per cent.

But the market is as divided over the Bundesbank's intentions as ever. The case for expecting an early easing in monetary policy — and a weakening of the D-Mark — is strong. According to the Ifo institute, Germany is set for a 0.5 per cent fall in GDP this year. In these circumstances, the Bundesbank has strong reasons to cut interest rates early in the 1993 first quarter.

"Failure to do so will intensify the extent of the economic slump in Germany, as well as breaking the current parity structure in the exchange rate mechanism," said Mr Neil MacKinnon, chief economist at Citibank in London.

The spectre of inflation and high monetary growth, however, still hangs over the German central bank. In the spring, few economists would have believed that a ¼ percentage-point cut in the Lom-

bard rate was all that the Bundesbank would yield by New Year's Day. And even now, it can be argued that monetary easing is as far off as ever.

The market was excited by the Bundesbank president's pre-Christmas comment that long-term interest rates could fall to 6 per cent by the end of 1993. But one European central banker said this week that bond dealers would only trade lower long-term rates if they believed the central bank had definitely cracked the inflationary spiral — which may only happen if Germany's short-term rates remain high.

He added: "This Bundesbank president does not want to go down in history as the one who prematurely succumbed to pressure to relax the reins on monetary supply."

As in the case of 1992, a 1993 year may be all about guessing how — and when — the Bundesbank will turn.

FINANCIAL FUTURES AND OPTIONS

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Strike	Call	Put	Call	Put	Call	Put	Call	Put	Call
100	2.33	0.99	0.25	0.41	100	2.33	0.99	0.25	0.41
101	2.33	0.99	0.25	0.41	101	2.33	0.99	0.25	0.41
102	2.33	0.99	0.25	0.41	102	2.33	0.99	0.25	0.41
103	2.33	0.99	0.25	0.41	103	2.33	0.99	0.25	0.41
104	2.33	0.99	0.25	0.41	104	2.33	0.99	0.25	0.41
105	2.33	0.99	0.25	0.41	105	2.33	0.99	0.25	0.41
106	2.33	0.99	0.25	0.41	106	2.33	0.99	0.25	0.41
107	2.33	0.99	0.25	0.41	107	2.33	0.99	0.25	0.41
108	2.33	0.99	0.25	0.41	108	2.33	0.99	0.25	0.41
109	2.33	0.99	0.25	0.41	109	2.33	0.99	0.25	0.41

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Baker Hughes Inc.	19 1/2	4 1/2
Ball Corp.	35 1/2	4 1/2
Bally	7 1/2	4 1/2

CMS Energy Corp. **18-1**

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Computer Sciences	78 1/2
Conagra	33 1/2
Core Edland	32 1/2

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NASDAQ Composite	676.93	677.85	64
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PAGE 2

SWEDEN
Afterschool

SECRET

WORLD STOCK MARKETS

AMERICA

Late program selling hits Dow

Wall Street

TRADING ended 1992 in quiet fashion, with a handful of economic statistics giving little direction to the market, writes Nikki Tait in New York.

For most of Thursday the Dow Jones Industrial Average posted very modest advances, having opened with a three-point gain and, aside from a brief setback midday, holding on to this for most of the session. However, in the last half-hour of trading, an unexpected spate of computer-guided program selling developed and the index ended the session with a loss of 19.99 at 3301.11.

The more broadly-based Standard & Poor's 500 also ended the day with decline, 3.10 to 435.72, although the

American Stock Exchange rose 3.48 to 399.23. The Nasdaq composite increased by 5.10 to 676.95. Dealing volumes, however, remained light on all markets, with the New York Stock Exchange registering some 166.7m shares traded. Advances outweighed declines by approximately two to one.

In early trading, the market's main focus was on further data suggesting that the economy is recovering and that confidence is beginning to return. The initial unemployment claims report for the week ended December 19 showed an unexpected sharp fall of 28,000 to 332,000 - news which pushed down bond prices but generally heartened the stock market. Later in the day, the National Association of Purchasing Management's index for December - acci-

dently released four days early - also indicated further expansion in the manufacturing economy.

There was a virtual dearth of corporate news, and even the mostly actively traded stocks showed only narrow gains or losses. IBM, for example, added 1/4 to \$50.40, while Citicorp, the largest commercial banking group, gained 1/4 to \$22. On the consumer front, RJR Nabisco, the tobacco and food group, rose 1/4 to \$48. Philip Morris eased back 1/4 to \$77, and Coca-Cola lost 1/4 to \$41.17. Amongst industrials, Westinghouse was one of the more actively traded stocks, adding 1/4 to \$13.

Some retail shares continued to climb, on thoughts that the holiday season has been encouraging for US stores and that any revival in consumer

confidence will boost prospects further. J.C. Penney, for example, gained 1/4 to \$77.40, Dayton Hudson added 1/4 to \$75.

In the transportation sector, only one of the three big airline stocks ended the year on a positive note. AMR gained 1/4 to \$77.14, but DAL slipped 1/4 to \$126.44 while Delta Air Lines nudged 1/4 lower at \$50.

Canada

TORONTO climbed in thin dealings on some year-end position-squaring and short-covering. The TSE-300 index closing 33.6 higher at 3,250.4 in volume of 26.1m shares valued at C\$182.7m, compared to 30m shares on Wednesday.

The market ended 1992 some 4.6 per cent lower than a year ago. The TSE's media and metals groups led gains.

Global equities mixed

EUROPE was mixed, after Pacific Rim markets ended the year on a positive note.

PARIS saw arbitrage activity and block trading swell volume to some Ffr3bn in the last session of the year as the CAC-40 index closed just 0.99 lower at 1,857.78. Among the losers were St Gobain, down Ffr10 at Ffr13.50, and Paribas, losing Ffr13.50 to Ffr145.50.

Chargers and L'Oreal went against the trend with rises of Ffr52 and Ffr16 to Ffr1,294 and Ffr1,087 respectively.

MILAN moved privatisation stocks yet again, BCI rising L70 to L74.90 and Credito Italiano L210 to L320 on the curb after Wednesday's falls. The general tone was more sombre as the Comit index declined 4.85 to 446.37.

MADRID saw weakness in construction as the general index eased 0.87 to 214.25. Dragados lost Pta90 to Pta 1,230.

ISTANBUL, boosted by a new tax incentive measure, advanced 48.65 to 4,004.13 in turnover of some TL188bn.

TEL AVIV ended the year 96 per cent higher than it began, the market index adding 1.79 at 185.97 on Thursday.

HONG KONG was firmer on year-end window dressing in quiet half-day trading. The Hang Seng index gained 44.50 at 5,512.39 in turnover of HK\$1.4bn.

SINGAPORE'S Straits Times Industrial index rose 11.94 to 1,534.40 in volume of 46.6m shares. Among the active, SIA Foreign climbed 60 cents to \$815.50, Singapore Press Foreign put on 40 cents at \$845.50 and F&N gained 20 cents at \$811.40.

MANILA was encouraged by PLDT's strong performance in New York and the composite index moved up 15.21 to 1,266.22 in turnover of 400m pesos. PLDT rose 25 pesos to 870 and Philippine National Bank closed 5 pesos up at 280.

KUALA LUMPUR rose on interest in speculative stocks as the composite index gained 1.30 at 643.96. Turnover was estimated at M\$135m.

AUSTRALIA closed at a three-month high but in low volume. The All Ordinaries index added 11.8 at 1,549.9.

Europe underperforms as currency crises bite

Adrian Fitzgerald on 1992, and prospects for 1993

As a forecast of what to expect this year, the events of 1992 were totally unhelpful. Twelve months ago, I argued that currency stability and economic convergence within Europe necessitated a radical re-think of portfolio management. I argued that, in order to achieve efficient diversification, investors based in Europe needed to decrease, rather than increase, their exposure to EC stock markets.

The theory still holds. The problem, however, is that there is now an even bigger question mark over the extent to which currency stability and economic convergence can be achieved within the EC. The events of 1992 will have served to raise these out as automatic, long-term assumptions in the minds of investors.

Ironically, it is currency instability, both within and without Europe, which will have sorted out the winners from the losers last year.

The French market, for example, gave only a modest return (6 per cent). UK investors in that market nevertheless enjoyed a 24 per cent sterling return, thanks to the relative strength of the franc.

The reverse holds, of course. French investors in the UK market earned less than 3 per cent, in contrast to the 20 per cent earned by UK investors in their own market.

It was the strength of the US dollar against most major currencies which really transformed international equity returns in 1992. And, while the assumptions underlying my diversification theory may have collapsed, European

	TOTAL RETURNS (%) 1992		
	Local Market	US Market	European Market
US	9	9	-4
UK	20	33	18
France	6	14	1
Germany	-4	14	1
Italy	-5	35	20
Netherlands	10	14	1
Australia	6	20	6
Hong Kong	25	8	-4
Japan	-19	8	-5

investors who did increase their stake in Wall Street would have benefited substantially. The return on the US market itself (9 per cent) may have been modest, but the dollar return earned overall would have far surpassed this.

All this is already history. A fresh start can be made on Monday morning, although decision-making is going to be no easier in 1993, especially taking into account the strains and stresses within the European Community.

Or is the general economic outlook for Europe any reason for optimism? The fall in sterling and interest rates should fuel some modest growth in the UK this year; elsewhere, however, the news becomes gloomier by the month, particularly in Germany.

Further abroad, anyone reading Emilio Terazono's recent article (*Financial Times*, December 29) can only have been drawn to the conclusion that another painful and volatile year also lies ahead in Japan.

The Tokyo stock market may have found a bottom, thanks to government support, but it would be only realistic to

assume that pent-up selling pressure will continue to delay the very long haul back to peak 1989 levels.

Cheerier news is emerging from the US, where the economy appears to be gaining momentum at last. But, even there, considerable uncertainties prevail, not least as to how the incoming administration intends to sustain recovery, while being seen to tackle structural deficit and debt problems.

The bottom line is that we are still in an economic mess. And the cleaning-up process will be far from easy. There is also a considerable danger that quick fixes will be found instead of long-term solutions, given political pressures worldwide.

The only safe prediction to make for 1993, it seems, is that the volatility of currency and equity markets will remain exceptionally high.

It also seems that UK-based investors will have more to cope with than many of their international counterparts. While I am sure Mr Lamont will have consulted his Wise Men over the festive period, it is difficult to believe that the U-turns and bunnings which were such features of 1992 will suddenly stop.

This view may be far too parochial, now that we have all become European citizens. On the other hand, that may not happen effectively until the UK has ratified the Treaty.

Footnote: All 1992 stock market statistics have been calculated to Christmas Eve. Adrian Fitzgerald is Director, Equity Research at County NatWest Wood Mac.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY DECEMBER 31 1992				WEDNESDAY DECEMBER 30 1992				DOLLAR INDEX			
	Index	Change	%	YTD	Index	Change	%	YTD	Index	Change	%	YTD
Australia (68)	125.12	+0.5	122.52	96.74	105.35	+0.7	4.02	124.48	122.02	96.00	104.45	120.13
Austria (18)	140.76	+0.1	137.25	110.61	117.39	+0.0	2.06	140.03	137.27	110.25	117.51	109.70
Belgium (42)	133.23	-0.3	130.46	105.15	112.17	+0.0	5.24	133.63	130.98	105.20	112.13	109.24
Canada (113)	115.94	+0.5	113.24	91.25	97.39	+0.7	3.19	115.10	112.82	90.61	98.57	105.72
Denmark (34)	186.32	-0.4	182.29	149.89	156.71	+0.0	1.72	186.94	182.24	147.18	158.86	158.94
Finland (19)	89.61	+0.1	88.17	64.94	58.61	+0.1	1.85	89.55	86.17	54.76	58.36	78.84
France (99)	147.16	-0.4	144.12	116.14	123.91	+0.1	3.54	147.71	144.79	118.29	123.94	127.44
Germany (64)	104.04	-0.3	101.86	82.12	87.80	+0.0	4.55	104.40	102.53	82.29	87.80	102.51
Hong Kong (53)	221.88	+0.7	219.98	174.85	180.21	+0.7	4.08	219.98	215.63	173.19	184.60	216.61
Ireland (16)	136.78	-0.7	132.86	107.16	114.32	+0.2	4.65	136.70	134.00	107.63	114.71	110.06
Italy (77)	54.87	-1.2	53.73	43.30	46.20	+0.9	3.44	55.56	54.46	43.74	46.62	60.94
Japan (472)	105.03	-0.2	102.66	82.68	88.44	+0.0	1.07	105.25	103.20	82.69	86.35	92.69
Malaysia (69)	261.48	-0.4	256.04	206.34	220.14	+0.3	2.32	262.58	257.37	206.71	220.32	254.08
Mexico (13)	184.91	-0.1	181.72	130.53	136.70	+0.1	1.07	184.97	181.72	136.87	136.78	178.77
Netherlands (26)	181.40	-0.3	178.28	118.48	125.89	+0.0	4.52	181.50	178.28	118.59	125.89	147.58
New Zealand (13)	42.88	-0.5	42.00	35.83	38.11	+0.0	5.05	43.01	42.16	35.89	44.43	48.52
Norway (22)	137.71	+0.0	134.86	108.58	115.95	+0.0	1.86	137.86	134.94	108.38	115.92	122.85
Sweden (39)	213.36	+1.0	208.94	168.39	179.84	+1.0	2.04	211.19	207.02	166.27	177.21	195.76
South Africa (60)	148.10	+0.2	145.02	116.88	124.69	+0.1	3.24	147.83	144.91	116.39	124.04	157.04
Spain (46)	118.81	-0.6	114.19	92.03	95.18	+0.1	5.69	117.29	114.97	92.34	96.42	101.09
Switzerland (60)	165.86	-0.3	162.82	130.59	139.40	+0.0	2.28	165.08	162.80	130.78	138.57	173.34
United Kingdom (226)	172.36	+0.4	169.86	138.01	145.11	+0.4	2.08	173.51	170.77	143.95	148.04	161.86
USA (522)	178.10	-0.6	174.40	140.95	148.90	+0.6	2.87	179.26	175.71	141.14	150.43	179.26
Europe (777)	136.01	+0.0	133.19	107.34	114.53	+0.1	3.76	136.05	133.25	107.11	114.18	104.60
Nordic (102)	149.29	-0.3	145.22	117.08	124.86	+0.0	2.07	149.77	145.82	117.12	124.86	138.00
Pacific Basin (719)	109.71	-0.1	107.44	86.59	92.38	+0.1	1.37	108.56	107.70	86.57	92.20	88.32
Asia-Pacific (1490)	120.35	-0.1	117.88	94.98	101.33	+0.2	2.47	120.46	118.08	94.63	101.08	102.86
North America (635)	174.22	-0.6	170.61	137.51	148.72	+0.8	2.88	175.26	171.82	138.02	147.11	174.26
Europe Ex. UK (851)	114.39	-0.4	112.02	90.30	96.34	+0.1	3.32	114.30	112.02	90.45	95.43	101.19
Pacific Ex. Japan (241)	153.99	+0.6	152.46	122.89	131.10	+0.4	2.68	153.94	151.97	122.03	130.05	143.41
World Ex. US (1861)	121.45	-0.1	118.93	95.65	102.26	+0.1	2.48	121.53	119.13	95.09	104.99	146.91
World Ex. UK (1877)	136.49	-0.4	133.68	107.73	114.85	+0.3	2.45	137.07	134.35	107.82	115.03	120.56
World Ex. Ex. UK (1545)	139.68	-0.3	136.76	110.25	117.80	+0.2	2.47	140.12	137.54	110.92	117.58	121.81
World Ex. Japan (1731)	169.19	-0.5	165.60	126.62	134.03	+0.3	3.21	168.72	165.56	126.76	134.04	155.81
The World Index (2203)	138.80	-0.3	136.71	110.18	117.55	+0.2	2.85	140.05	137.26	110.27	117.53	127.69

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LONDON SHARE SERVICE

BRITISH FUNDS - Cont.									
Fund	1992	1991	1990	1989	1988	1987	1986	1985	1984
British American	100	102.72	103.49	102.85	103.24	103.40	103.56	103.63	103.70
British European	100	116.14	116.58	116.25	116.77	116.87	116.91	116.91	116.91
British Global	100	108.42	108.47	107.93	107.80	107.92	107.92	107.92	107.92
British Income	100	116.76	116.79	116.29	116.43	116.51	116.51	116.51	116.51
British Overseas	100	108.42	108.47	107.93	107.80	107.92	107.92	107.92	107.92
British Real Estate	100	116.76	116.79	116.29	116.43	116.51	116.51	116.51	116.51
British Technology	100	108.42	108.47	107.93	107.80	107.92	107.92	107.92	107.92
British World	100	116.76	116.79	116.29	116.43	116.51	116.51	116.51	116.51
British World Fund	100	108.42	108.47	107.93	107.80	107.92	107.92	107.92	107.92
British World Fund	100	116.76	116.79	116.29	116.43	116.51	116.51	116.51	116.51
British World Fund	100	108.42	108.47	107.93	107.80	107.92	107.92	107.92	107.92
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British World Fund	100	108.42	108.47	107.93	107.80	107.92	107.92	107.92	107.92
British World Fund	100	116.76	116.79	116.29	116.43	116.51			

INVESTMENT TRUSTS - Cont.

Best Operator	100%	100%	100%
Planning American	100%	100%	100%
Planning British	100%	100%	100%
Planning Canadian	100%	100%	100%
Planning French	100%	100%	100%
Planning German	100%	100%	100%
Planning Italian	100%	100%	100%
Planning Japanese	100%	100%	100%
Planning Korean	100%	100%	100%
Planning Latin Am.	100%	100%	100%
Planning Middle E.	100%	100%	100%
Planning North Am.	100%	100%	100%
Planning Oceania	100%	100%	100%
Planning Pacific	100%	100%	100%
Planning South Am.	100%	100%	100%
Planning Spain	100%	100%	100%
Planning Sweden	100%	100%	100%
Planning Switzerland	100%	100%	100%
Planning Taiwan	100%	100%	100%
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Trust Name	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	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NatWest uses psychometrics on life insurance sales recruits Bank staff sit personality tests

By John Gapper,
Banking Correspondent

ABOUT 1,500 National Westminster Bank staff have undergone personality testing in the selection process for the bank's new life insurance sales subsidiary.

Recruitment to NatWest Life, which is expected to become one of the 20 largest life insurers in Britain in its first year, has involved some of the broadest uses of psychometric testing of employees yet seen in high street banking.

Psychometric testing requires job applicants to answer questions designed to test motivation and personality.

Several banks, including Barclays and Lloyds, are considering using the tests to select employees who are suited to selling financial products. The banking code of practice introduced this year places some restrictions on such selling.

Traditional bank recruitment has relied on clerical staff and managers having obtained basic academic qualifications. Personality tests have been thought irrelevant because bank staff have performed a mixture of office tasks.

But NatWest Life, which is being launched this month with capital of £100m, has used psychometric tests and interviews to select its sales force. About 1,500

have been recruited from the bank's branch network.

Mr Lawrence Churchill, chief executive of NatWest Life, said the subsidiary had "stronger requirements on personal qualities than for the average member of branch staff". It needed employees who were self-starting and sociable.

NatWest Life, 92.5 per cent owned by the bank, is a joint venture with Clerical Medical. It is NatWest's first venture into offering tied insurance rather than independent intermediary advice through NatWest Insurance Services.

The subsidiary will sell its own insurance products through 2,700 NatWest branches. Its sales force

will be divided into about 1,800 advisers selling insurance, and 200 financial planning managers who will give other investment advice.

The bank hopes NatWest Life will emulate the success of other clearing bank subsidiaries selling tied insurance, including Lloyds Bank's Black Horse Financial Services subsidiary, which sells Lloyds Abbey Life products.

Mr Churchill said it hoped to sell 200,000 policies in its first year. He said NatWest believed insurance sales could eventually form "a significant proportion of profits".

Most of the 1,500 sales staff have transferred from NatWest Insurance Services.

Pit jobs worried cabinet in 1962

Richard Evans on contrasts over mine plans

CABINET papers released yesterday show a sharp contrast between the attitude to pit closures of the Macmillan administration 30 years ago and the closure programme announced by the government in October.

The Conservative leadership of 1962, which included one-nation Tories such as Rab Butler and Lord Macleod, gave only qualified support to a plan to close uneconomic pits. It urged the National Coal Board to consider fully the social implications of closures.

In contrast, Mr Michael Heseltine, trade and industry secretary, said on October 13 last year that 31 of Britain's 50 pits were to close with the loss of 30,000 jobs. His announcement led to widespread claims of insensitivity and a failure to grasp the human dimensions of the recession.

On July 5 1962 the cabinet discussed a memorandum by the chancellor of the exchequer, Mr Selwyn Lloyd - now released under the 30-year rule - which disclosed a plan by the NCB to break even over the five-year period 1963-67. Demand for coal was estimated at 190m tons a year for several years ahead, and the closure of uneconomic pits would have been necessary to meet financial targets. In the previous year the board had maintained 182 collieries classed as

"gross losers" in the sense that their operating costs exceeded the income from coal produced.

According to the chancellor, this strategy was "economically sound, though it would give rise to some social and political difficulties". After a long debate which showed widespread concern for the impact of pit closures on mining communities, the cabinet agreed that the board's policy on closures should receive qualified support.

It was proposed that in indicating the government's general approval, Richard Wood, minister of power, should inform the NCB of ministers' assumption "that the board would, so far as possible, time their closures to minimise the social difficulties which would result from them".

It was added that the NCB's attention should be drawn to parts of the country where these difficulties would be most acute.

The cabinet decided to maintain the policy of not allowing imports of US coal. It agreed that any protests from the US administration over inconsistencies between this policy and the General Agreement on Tariffs and Trade could be met by an assurance that the policy would be re-examined a year later.

Ministers embarrassed, Page 4



Cheering Somali children greeted US president George Bush yesterday when he visited an orphanage in Baidoa, one of the towns worst hit by the famine. His visit to Somalia was marred by fighting in Mogadishu, in which at least 17 people were killed. Report, Page 3

PM warns Serbia on eve of peace talks

By Anthony Robinson and
Alison Smith in London

THE WARLORDS and political masters of the rival forces in the former Yugoslavia prepared for a new round of international peace talks in Geneva today against the background of sporadic small arms fire around Sarajevo.

The talks take place as international opinion hardens against Serbia.

There are also indications that Bosnian Muslim forces are preparing counter-attacks to dislodge Serb forces from their more exposed positions in the hills

south of Sarajevo, the Bosnian capital.

Under pressure from Muslim forces, the Bosnian Serbs were again reported to have defied UN no-fly rules to re-supply troops.

This was implicitly admitted by Mr Radovan Karadzic, the Bosnian Serb leader, who said he had issued orders to ground all fixed-wing aircraft but wanted to continue using helicopters to ferry wounded from battle areas.

General Philippe Morillon, Commander of the UN protection Forces (Unprofor) in Bosnia, told a French radio station yesterday that he feared fighting could flare

up in Sarajevo in an attempt to undermine the Geneva talks. He again called for a winter truce around the city, which has been besieged for months by Serb forces.

In London, Mr John Major, the British prime minister, warned the Serbs that the west was running out of patience with the lack of progress towards a settlement.

Speaking on BBC radio, he said sanctions might have to be both tightened and stepped up dramatically, and that the "complete and total diplomatic isolation of Serbia" might also have to be considered.

"Serbia should understand very plainly the increasing impatience and despair felt in the west at the way they have been behaving," he said.

"Everyone to a certain extent is to blame for the present conflict but the primary blame beyond a doubt in our mind, lies with the Serbs."

"They are the principal cause of the present conflict and people are getting very impatient with that, not just us - the European Community collectively, the US and others as well. I do not believe they should push that impatience too far," he warned.

Kenyan opposition rejects election results

Continued from Page 1

Moi and Kariuki of "hijacking democracy" and bringing the country to the brink of a crisis.

Among the electoral abuses they alleged against Kariuki were widespread intimidation, massive fraud in counting and tallying votes, introduction of illegal ballot boxes stuffed with Kariuki votes and the counting of opposition votes for Kariuki candidates.

It was clear that the opposition coalition was trying to hold back a possible eruption of violence following the announcement of results. However, although the

parties refused to spell out their strategy, they were threatening to mobilise massive protest if their demands were not met.

"If we had not acted, the people of Kenya would already be in the streets," said Mr Matiba.

Results from 167 of the 168 constituencies announced by last night showed that Mr Moi had won the presidential race with 1,796,233 votes. Mr Matiba, with 1,228,870 votes, was in second place ahead of Mr Odinga and Mr Kibaki.

In the parliamentary poll, out of 166 results declared, Kariuki had won 85 seats to the opposition's 71, lead by Ford-As

Major pledge

Continued from Page 1

British Rail, while insisting that the legislation would be passed by parliament this year.

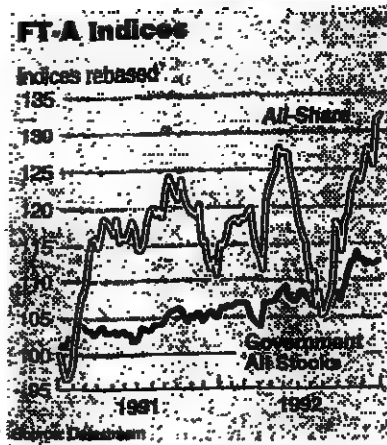
Mr John Smith, the Labour leader, rejected Mr Major's slighting of increased economic confidence saying that the government still failed to appreciate that the fear of unemployment was the fundamental barrier to a restoration of confidence.

He recalled previous ministerial forecasts: "The Conservative party's promises about economic recovery are the biggest devalued currency of our time."

CHIEF PRICE CHANGES ON THURSDAY															
New York (3)				Frank				Boats				Steel			
Russell	22 1/2	+	3 1/2	Russell	309	+	14 1/2	Boats	581	+	12	Steel	496	+	12
Dow Jones	22 1/2	+	3 1/2	Russell	430	+	18	Corbett Park A	227	+	8	Index	170	+	9
Honolulu	8 1/2	+	1 1/2	Amst 100	280.5	-	63.7	Dominic	135	+	7	Water	73	+	8
RIH Nikkei	8 1/2	+	1 1/2	Amst 250	801	-	34	Eng. Laid Clay	467	+	20	Water	686	+	11
Westinghouse	13 1/2	+	1 1/2	Paribas	345.5	-	13.5	Spain	179	+	15	Wheat	225	+	10
FTSE 100	23 1/2	+	1 1/2	Tokyo				Florida	245	+	10	Wheat	396	+	12
Shanghai	43 1/2	+	1 1/2	London (Pence)				Guatemala	176	+	13				
				Russell				J&B Group	185	+	5				
				Amsterdam 100	618	+	17	Pandora	265	+	19				
				Barley	198	+	9	Parrot	173	+	8				
				Sugar	120	+	9	Parrot	173	+	8				
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THE LEX COLUMN New year ambitions

FT-SE Index: 2846.5 (+14.0)



This time last year the dominant question for UK investors was whether equities could continue to outperform bonds. The prospect of low inflation and sluggish growth in the straitjacket of the ERM made it appear as though gilts, for once, had the more sparkling future.

Since the UK's departure from the ERM in September, the debate has seemed academic. Until then equities had enjoyed a total return of under 6 per cent compared with 10 per cent for UK bonds. But the devaluation turned that on its head. According to the WM Company, equities returned 20.6 per cent in 1992 as a whole, bonds only 15.5 per cent. Since devaluation paved the way for economic recovery, equities should outperform again in 1993. There is a danger, though, in overestimating the degree.

In theory the UK is now free to focus its economic policy on growth, while the gilts market is likely to be weighed down with problems of oversupply. The Treasury, however, is forecasting growth of only 1 per cent this year and even the most optimistic City forecasts do not go much above 1.5 per cent. As price pressures remain relatively muted, the UK is perhaps not quite as far removed from the low growth, low inflation environment as might have been expected after its dramatic exit from the ERM.

Feeble growth

The Treasury's expected growth rate is feeble for an economy emerging from recession. It is only about half that achieved by the US last year in a recovery that was far too weak to save President Bush from electoral defeat. The equity market is thus taking a lot of trust. All the more so, since the FT-SE index has risen by 33 per cent over the past two recessionary years while reported industrial earnings have fallen by some 18 per cent.

That leaves the market on a historic multiple of over 17, a range not seen since the run up to the 1987 crash. Arguably such a rating is justified on the grounds that inflationary expectations have fallen. Low inflation enhances the quality of earnings, enabling shares to trade on a higher rating even though prospects for nominal earnings growth have diminished. Yet there can be little mileage left in this argument. Any further advance will need to be justified by actual earnings growth. This is notoriously hard to predict. The devaluation should boost the income of companies

which derive most of their earnings from abroad. Those which are active in the US may benefit additionally from recovery there - as well as further dollar appreciation. But expectations of an anemic UK recovery suggest earnings growth may be confined to around 10 to 15 per cent this year.

Besides, low dividend cover will limit the beneficial impact of any earnings rise. And the earnings trend will be unusually hard to pin down, given the accounting changes now entering into force. The market may thus find itself relying heavily on trading statements accompanying annual results to sustain any new year rally.

The trouble is that there are plenty of other factors which could kill the advance. If the chancellor means what he says, there is unlikely to be another cut in rates in the first quarter, although base rates of 8 per cent are probably factored into equity prices. Further deterioration of the European economy - largely ignored by UK equities so far - will not help, though it might hasten interest rate cuts in Germany. Another concern is that the market's higher levels could provoke a spate of rights issues. This would add to worries about institutional cash-flow. Rights issues last year amounted to only £4bn against £10.3bn in 1991.

Government finance

By the time of the budget, attention may focus more strongly on the government finances. Not only may tax increases seem by then inevitable, the equity market will have to confront its greatest test of 1993: its ability to compete against a gilt market in which the government will be raising £1bn a

week. The received wisdom is that, since government borrowing needs exceed institutional cash-flow, gilt yields will have to rise to the point where domestic investors switch out of equities on a large scale.

The theory is so neat and so beguiling that it must to some degree be suspect. Perhaps the government will, after all, decide to allow gilt sales to banks to be counted as funding the PSBR. Perhaps it will borrow foreign currencies abroad. Small savers may come to the rescue by switching out of building society accounts and into equity and gilt-linked investments. The recovery may be more robust than expected and the PSBR correspondingly smaller.

None of these can count as sure predictions, but they are close enough to the realm of the possible to serve as a reminder that the funding problem need not turn out as dire as appears. Gilt and equity markets have been aware of the 1993-94 funding requirement since the Autumn Statement. Both have blithely ignored it so far.

Sterling underpinned

What does seem a reasonably safe assumption is that by next summer the UK's position relative to the rest of Europe will look very different. A recovery of sorts should be under way and interest rates should have bottomed out. There may even be expectations of a modest rise in rates which will underpin sterling in the exchange markets. The combination of recovery and currency stability may attract overseas money into UK equities and gilts, especially if the Bundesbank is grudging in its rate cuts and the continent remains mired in recession.

Even so, it would be foolish to assume that the government's funding requirement will not restrain the equity market next year. The thought also occurs that, in the absence of a vigorous recovery, the UK could easily follow the pattern set by Wall Street, which showed its strongest gains while interest rates were actually falling in late 1991. It has gained only modestly since.

If that points to only small gains for equities as a whole this year, the mood may swing violently at times, especially once the funding programme gets under way in earnest in the spring. The best returns may accrue to those nimble enough to move in and out of the market - and who, by luck or judgment, enjoy an impeccable sense of timing.

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FINANCE AND THE FAMILY

New Year resolutions worth sticking to

Looking for sensible investment advice? Scheherazade Daneshkhu talks to financial advisers about opportunities for the year ahead

THE QUEEN'S annus horribilis was shared by many last year, not least by investors who found their options narrowing as the year progressed. The drop in base rates, changes to National Savings and the sluggish performance of equities made investment hard work.

It does not look any easier this year. But this is why New Year resolutions should be made and adhered to. We asked a number of financial advisers which resolutions would top their list for the New Year.

Wills and Inheritance Tax

Just in case this is your last year, Mark Bolland, of fee-based advisers Chamberlain de Broe, urges those without a will to write one: "From this starting point individuals and couples can go on to wider areas of estate and inheritance tax planning. Clearly, given the state of the economy at the moment and the level of the PSBR, the government is likely to raise taxes. I would have thought it rather unlikely therefore, that IHT - comparatively small though the receipts may be - will be significantly reduced."

People should also resolve to do something about their IHT liability, says David Harris, of Chantrey Financial Services, by making use of the annual £3,000 exemption and using the small gifts exemption - up to £250 to as many people as you like.

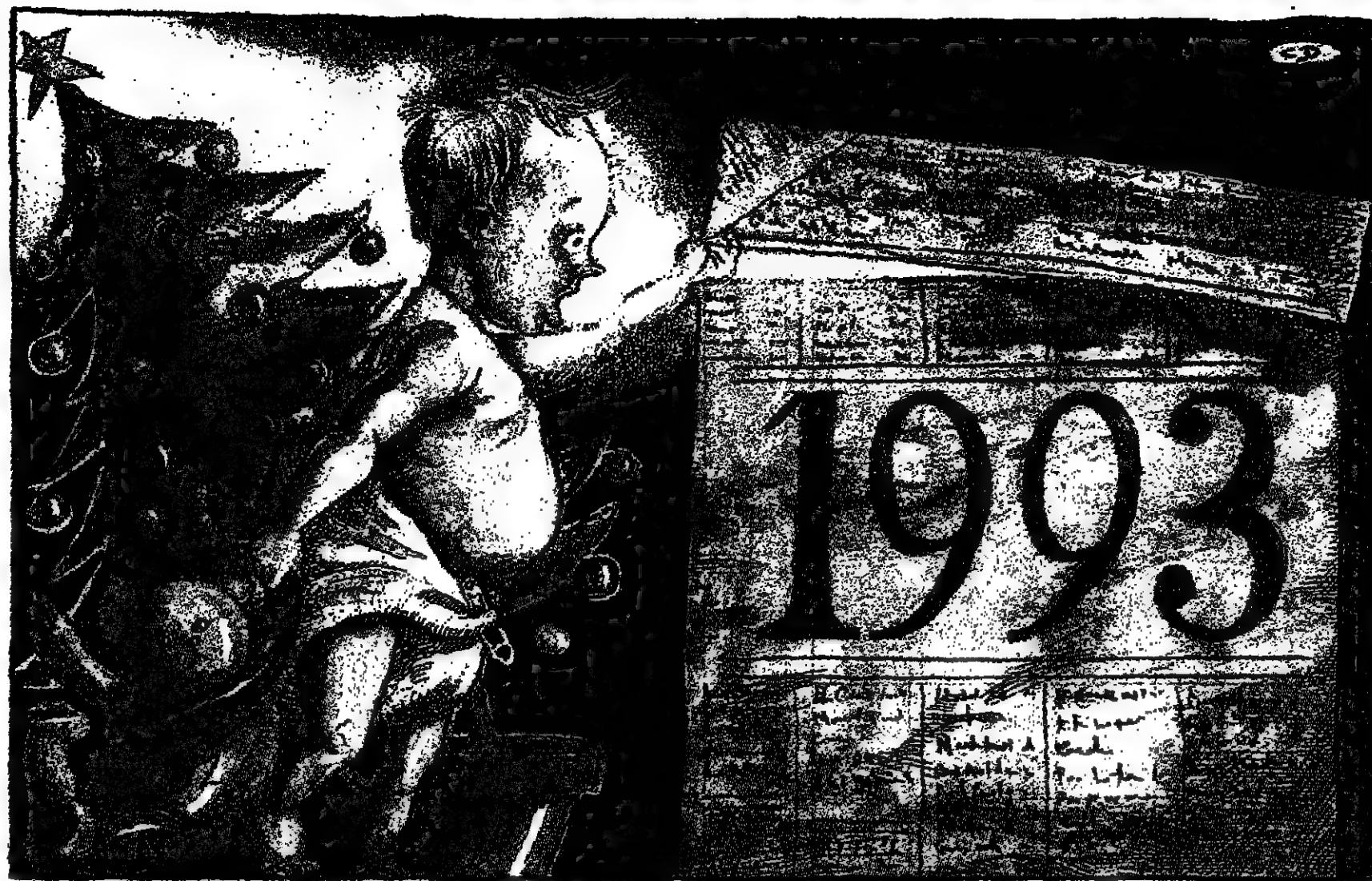
Money on Deposit

David Harris says savers should resolve this year not to keep all their investments on bank or building society deposits now that interest rates have dropped substantially, but should check alternatives. They should take advantage of the maximum investment allowable into the current National Savings issues and pay their next instalment - £1,500 - to their tax exempt special savings account in the New Year.

Colin Jackson, of Baronworth investment services, advises those in a 90-day bank or building society account to give notice and get out. "The advantage of a 90-day account (interest-wise) is now fairly minimal," he says. "I anticipate that in the coming year there will be some new investment products being launched. Those people who have their money tied up in a 90-day account will either have to miss out on an investment opportunity or lose interest by withdrawing their money without giving the appropriate notice."

Personal Equity Plans

Resolve to look at the performance of your PEP if you have one says Harris, and look also at the level of charges, administration and strength of the company, adds Jackson: "PEPs are often sold to people who really do not need them as their tax position is such that the tax free benefits of a PEP would not apply. For those people there is no reason why they should pay



the higher charges incurred by investing through a PEP." He reminds those who need a PEP to take one out before the end of the tax year on April 5.

■ **Investment Strategies** Robert Noble-Warren, of fee based advisers Murray Noble, says those with cash should be open minded about investment strategies. Instead of considering UK equities only, "an alternative strategy is to have higher holdings of cash and fixed interest, to invest much less than one would normally in UK shares and take a small highly speculative holding in emerging markets such as South China and Mexico," says Noble.

■ **Life Insurance** Most people in the UK are underinsured and Harris says people should resolve to

check to see whether their life insurance arrangements are adequate. He says investors should keep their will about them and resolve "to differentiate between life insurance for protection and other products that purport to be investment plans but are life insurance by any other name."

Retirement and pensions

All advisers urge readers to make a resolution that they will no longer put off retirement planning. Harris and Jackson remind those in an occupational pension scheme to maximise their contributions for the year (up to 15 per cent of net relevant earnings subject to the pensions cap). Harris says policy holders should check the value of their pension arrangements and, if the policy holder is con-

tracted out of SERP, to see whether proper rebates have been applied to a personal pension plan.

Jackson thinks those who are contracted out should reconsider their decision, particularly if they are men over the age of 45 or women over 40. He reminds higher rate taxpayers to consider picking up unused pension relief for the past six years and paying a single premium before April 5. "The tax inspector will give you relief in the current year initially at your highest rate of tax. However, you can put in an election (not later than July 5 1993) to carry back the relief to the year ended April 5 1992. If this is more tax efficient," he says.

Retirement may become a more risky business, warns Noble. Employers are

moving to money purchase schemes since these are cheaper than final salary schemes. The reduction in interest rates means that a smaller pension will be bought with the accumulated pension fund than in recent years, state pension benefits are likely to be reduced and pension funds can expect lower growth from equities than they experienced in the 1970s and 80s. Pension contracts are being sold on growth rates allowed by Lutro, the regulator for the insurance industry, but Noble believes these estimates are too optimistic. He says, therefore, it is important to take impartial advice.

■ **Mortgages** Harris would like homeowners to check whether their lender has dropped its rate in line with others and consider whether a

fixed rate might not be more suitable while interest rates are still historically low.

Guaranteed Bonds

Jackson believes investors should steer clear of guaranteed bonds for the time being as rates are low. He also warns investors there are a number of products on the market promising "guaranteed" returns while the small print reveals they do no such thing.

Business Expansion Scheme

The BES - which allows investors tax relief at their highest rate on up to £40,000 invested in a qualifying scheme - will be abolished at the end of the year. Chamberlain de Broe's Alan Greening reminds investors who have not subscribed in the 1992-93 tax year they have an allowance of £80,000 to invest - £40,000 before April 5 and another £40,000 after that date.

"Many advisers who would in the past have been wary about using BES investments for anything other than a small part of someone's portfolio, are now using them as the basis for secure growth (over 10 per cent compound for five years), allowing other more speculative investments to be chosen alongside to provide the high levels of income no longer seen in building society or fixed interest investments," said Greening, who believes the majority of current BES issues have become secure investments.

Last year a new type of scheme - "non-status, non recourse loan" emerged and have added flexibility to the tax-efficiency of BES investments for higher rate taxpayers, according to Greening. These schemes grant tax relief about six months after the original investment is made. The investor is then offered a non-recourse loan of between 72 per cent and 76 per cent of their original gross investment. "It is now possible to secure £8,480 tax relief from one £10,000 investment, by taking one investment for £10,000 now, taking a loan-back after six months (£11,200 including £4,000 tax relief), and reinvesting the proceeds in a BES for five years - thereby securing another £4,480 worth of tax relief," said Greening.

While the BES is now much safer than it used to be, Chantrey's Harris advises potential investors to take advice before committing themselves. He also warns that since a great deal of demand is expected of these schemes, potential investors need to be prepared to act quickly to take advantage of any offers.

Financial Advice

Jackson says people should ask their financial adviser how much commission they are earning and whether they will share it with them. Bolland and Noble, both fee-based advisers, urge people to move to fee-based advice for impartial financial planning.

Early start for BES season

THE 1993 Business Expansion Scheme season seems to have started in 1992.

BESSA Plus (Second Series), launched last week, is a scheme sponsored by Close Brothers and backed by TSB Bank, which will buy repossessed properties from Hill Samuel Mortgage Services and let them for five years.

Its crucial extra ingredient, on top of the guarantee from a high street bank, is the "non-recourse loan". This allows top-rate taxpayers effectively to realise their investment after only six months - note that it is irrelevant for basic rate payers.

For every £1 invested (60p after tax for top-rate payers), Hill Samuel will lend 75p to investors after six months. Investors can choose to continue for five years, but Hill Samuel is obliged to make the loans available.

The loans are "non-recourse", which means they are secured only against the BES shares themselves - Hill Samuel has no right to pursue investors for any other

part of their assets.

Similar schemes linked to the Bank of Scotland and the Bank of Ireland sold out within a week of becoming available, and it looks as though it will be difficult for those not already on Close Brothers' mailing list to invest in the current offer - total capacity is £8.5m, and £3.5m had been taken by New Year's Eve, when the offer had only been open for two days.

A similar scheme sponsored by Capital Ventures in conjunction with Cambridge University also seems likely to be fully subscribed soon.

Would these schemes be worth holding on to for the full five years? Falling base rates have cut sharply into the returns on offer, and TSB is offering only £1.08 after five years for every £1 before tax spent now. In 1991, offers of £1.35 for every £1.00 were common, although they did not have the security of bank backing.

Anthony Yagdaroff, of Allenbridge Group, suggests that current offers should only be taken up by those who want to

take advantage of six-month loans. This will allow them to reinvest in the BES before the scheme is abolished at the end of this year.

The budget, due in March, must put some question marks over the future of this type scheme, as the low risks and high returns available to top-rate taxpayers seem out of line with the government's original intentions. However, the crop of schemes is taking repossessed housing out of the property market, removing a downward pressure on prices, so sponsors are hopeful that the schemes will survive.

Banks and building societies - which are yet to get heavily involved with the BES - benefit by removing large amounts of bad debt from their balance sheets, so supply is likely to continue. Several sponsors are also working on issues to fund university accommodation, which lack bank guarantees and loans, but may offer a higher return over five years.

John Authors

Expatriates/Donald Elkin

Prevent costly mistakes

EXPATRIATES are generally viewed as people who earn more and save more than their stay-at-home compatriots. And that is often true.

But expatriates tend to work hard as well. Perhaps one result of this is that some fail to give sufficient time to their own finances. Whatever the reason, expatriate finance specialists regularly see evidence of the same mistakes being repeated.

For a prosperous 1993 - and beyond - check that you are avoiding the following slips:

■ **Overlooking the different residence status of spouses.** For example: wives often become UK tax residents by visiting the country when accommodation is available for their occupation (unless they have full-time jobs in which all the duties are performed overseas). Such a status could result in UK tax liability on overseas income and gains (including half shares of joint holdings). But it can give rise to opportunities too, for example the ability to invest in personal equity plans.

■ **Failing to appreciate that accepting a UK directorship can give rise to similar results, even in the case of those who are in full time work.** However, liability to tax on an overseas salary is prevented by the operation of the "foreign earnings deduction". Alrcrow, couriers and others who perform

"duties of substance" in the UK are similarly at risk.

■ **Assuming that UK interest paid to you without deduction of tax is tax exempt.** Payment gross is an administrative procedure which does not apply in broken tax years, those of departure or return to the UK.

■ **Coasting to pay UK National Insurance contributions on going overseas.** In most cases, this is a mistake. Voluntary Class 3 contributions, costing £263 per annum, can give rise to an effectively index-linked pension of £2,815 per year plus.

■ **Convincing yourself that**

on your death.

■ **Assuming that a UK property acquired after the date of your original departure from the UK, will qualify as your principal private residence for CGT purposes, purely because it is the only property you own.** For there to be any possibility of such qualification, you or your spouse would need to live in it for, say, three months after acquisition and also to resume residence there when your period overseas has ended.

■ **Convincing yourself that**

against a background of future uncertainty. How many people would answer in the affirmative the question, "Is it a good idea to take on a ten year investment commitment when you have job security for only three years?" But expatriates frequently do it.

■ **Attaching undue weight to the taxation treatment of any investment plan.** Taxation is important. But the most brilliant tax shelter ever devised can be of little value if the investment fails to perform. The watchwords should be, investment performance first, taxation treatment second.

■ **Overlooking the inflexibility inherent in the surrender penalties attaching to some investment arrangements.** If initial charges are replaced by early surrender penalties, well and good. But such penalties sometimes last for five to seven years or longer. If, even with the lower initial charges, your investment fails to perform, you may find yourself effectively "locked in".

■ **Failing to plan your return to the UK in good time.** Happily, after years of urging by expatriate commentators - this is myself among them - this is much less in evidence. However, cases still arise of expatriates who spend 25 years abroad but leave themselves only 25 days to organise their return.

Donald Elkin is a Director of Wilfred T. Fry Limited of Worthing, West Sussex.

Remember that "complex" is usually synonymous with "expensive"

In the case of a married man, a further £1,962 p.a. for his non-contributing wife.

■ **Supposing that inheritance tax does not apply to assets earned and situated overseas?** This treatment is only available to those who are not domiciled in the countries which make up the UK, as a result of having left Britain permanently.

■ **Overlooking local testamentary considerations when acquiring real estate abroad.** Often it will be desirable to make a will in the country concerned. Even more importantly, you may find that local laws restrict your freedom to decide the disposition of assets

"no-one will know" is a suitable basis for tax planning. Skeletons in cupboards have a habit of rattling at awkward moments.

■ **Assuming that complex solutions are inevitably superior to straightforward ones.** Before investing in insurance-linked arrangements, ask yourself whether a direct investment will suffice. Before effecting a trust, ask if it is essential. Both types of vehicle have important parts to play in the field of tax planning. But both are frequently unnecessary. Remember that "complex" is usually synonymous with "expensive".

■ **Entering into long-term investment arrangements**

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FINANCE AND THE FAMILY

Slow but sure comeback

The homes market will begin to move in 1993, reports Scheherazade Daneshkhu

MORTGAGE lenders are making tentative predictions of a gradual recovery in the property market. Halifax, Nationwide and Leeds Permanent building societies all said this week they expected house prices to stabilise this year, but none predicted a rapid recovery.

Halifax, the largest society which lends to just under a fifth of mortgage holders, said it expected prices to stabilise by the spring. They have been falling by 0.5 to 0.7 per cent a month and are expected to continue dropping over the winter.

The Halifax house price index showed a fall of just under eight per cent in the year to November 1992. The society is reluctant to predict the extent of recovery for this year, perhaps because it was too optimistic in its predictions for last, when it forecast a rise in house prices in line with an inflation rate of about four per cent.

In its review of the housing market in 1992, the society does, how-

ever, forecast an important increase in the level of activity in 1993 - a prerequisite for the market's recovery. Last year there were just 1.1m housing transactions nationwide, representing about half the level of activity in 1988. Halifax says it expects this number to rise by 15 per cent in 1993.

It finds the main barrier to recovery is a lack of confidence among buyers rather than an inability to afford property. Halifax says mortgage payments now account for 25 per cent of earnings in the south east - the area worst affected by the housing decline - compared with more than 30 per cent in 1988.

The Halifax says further measures could promote a more robust housing market recovery, and suggests a number of moves the government could introduce. These include reforming mortgage interest tax relief to increase benefits for first-time buyers, and introducing a mortgage benefit scheme to assist low-income homeowners.

By contrast, Mike Blackburn, chief executive of Leeds Permanent,

eschews "pull-popping policies which tend to give you a hangover". The temporary abolition of stamp duty on homes worth under £250,000, which was lifted in August, is one measure he believes hindered, rather than helped, the housing market.

"We believe house prices generally have stabilised and will show some signs of an upturn, accompanied by increased market activity," he said. "But these 'green shoots' will only really take hold if they are rooted in the right climate, and that means we need to see evidence of some global warming in the industrial and commercial sectors."

Tim Melville-Ross, chief executive of Nationwide, the second largest lender, said the government's plans to enable housing associations to buy around 20,000 empty houses would help reduce the overhang of unsold properties. "There is undoubtedly pent up demand from would-be house buyers, particularly first-time buyers, who have put their decisions to purchase on hold over the past two years," he said.

"However, this is counterbalanced by the continuing overhang of unsold homes and there will have to be a significant increase in turnover before we see any increase in prices."

The National Association of Estate Agents reported this week that December had been the busiest month in the past three years for agents. Michael Jones, president, said: "Although we anticipate there will be regional variations, we suspect the market has already turned the corner and that it could revive much quicker than even the Halifax is predicting."

But bursts of activity have been seized on as evidence of a full recovery too often in the past and cautious optimism is now the catchword of the big building societies. "Fears about job security and the economy as a whole are the main factors affecting the housing market. Changes in confidence could mean the recovery could be delayed or could be much stronger than now seems possible," said Melville-Ross.

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Sickening rule for employees

David Cohen on health insurance

BRTISH tax law is littered with arbitrary distinctions between employees and the self-employed. The tax treatment of permanent health insurance (PHI) is a case in point. As a rule - provided you stay healthy - you will be better off in employment, but should you ever claim against the policy, then self-employed status will prove more tax-efficient.

Plans to protect income against long-term disability have enjoyed growing popularity in recent years, becoming an almost invariable feature of executive remuneration packages. Until 1981, PHI was a taxable benefit for directors and other higher-paid staff, although not for other employees. But the 1981 Finance Act introduced a blanket exemption and PHI remains to this day one of the dwindling band of tax-free perks.

Paying PHI premiums for staff gives an employer the best of both tax worlds. Not only can he confer a tax-free benefit on his workers but also the cost of so doing will be a deductible item for corporation tax purposes.

But while the taxman has a positive attitude to PHI for employees, his approach is quite different if the insured is self-employed. Premiums paid by the self-employed - whether sole proprietors or

business partners - cannot be deducted from their taxable profits. So if bosses are insuring themselves and their staff, it will be worth their while asking the insurance company to "load" the premiums as far as possible on to the staff policies.

The Inland Revenue's pro-employee bias is abruptly reversed in the event that illness or accident leads to a claim for PHI benefit.

Some policies provide for lump-sum payments and these will normally be tax-free, irrespective of the status of the recipient. But in the more usual case of ongoing periodic benefits, employees draw the short straw.

This is because such benefits are taxed in precisely the same way as the salary they are replacing. So income tax will be deducted through the pay-as-you-earn system (even though the taxpayer is no longer in a position to "earn" anything) and national insurance contributions will also be due.

and on April 6, 1994, because by then he will have been in receipt of benefit for a full tax year. If, instead, he defers his first claim until May 1993, he will extend his tax holiday until April 5, 1995. The sacrifice of a single monthly instalment will be more than compensated by the extra 11 months of tax immunity.

If, for example, Oscar's monthly benefit is £2,000, he will receive an additional £22,000 of tax-free income. That means a saving - at the basic rate - of £5,500.

Oscar's timing was relatively fortuitous. Obviously, for somebody whose benefit entitlement is triggered nearer to the middle of a tax year, there will come a point at which the cost of deferring benefits outweighs the tax advantage.

Although the ability to receive up to two years' tax-free income is unique to the self-employed, with no equivalent for employees, the position is quite different where the individual concerned is an expatriate.

By a quirk of UK tax legislation, PHI payments to self-employed expatriates are fully taxable in this country, after the expiry of the initial tax-free period. By contrast, benefits paid to non-resident employees should escape the Inland Revenue's clutches.

David Cohen is a partner in City law firm, Paines & Co.

Planning your Pension Saving with Sipps

NIGEL LAWSON, the former chancellor, did not introduce a new type of personal pension scheme when he unveiled Self-Invested Personal Pensions (Sipps) in his 1989 Budget. He merely reinvented a concept which has been available in various forms since the 1960s.

But while Sipps (and their pre-1989 variants) are unlikely to be cost effective for the man in the street, they can produce substantial cost savings for groups of individuals, such as partners in the same firm.

The cost efficiency of Sipps compared with conventional policies is illustrated in the table* which shows the impact of charges using a Reduction in Premium (RIP) comparison. The RIP expresses the total charges as a percentage reduction in every premium paid.

A large part of the charging structure of a conventional policy is related to the commission paid to the salesman and the RIP has therefore been calculated both on "normal" policy terms and on "nil-commission" terms, using for illustration the charging structure of Standard Life's retirement annuity pension contract, ie their pre-July 1, 1988 policy.

The RIP also has an impact on maturity proceeds. For example, a policy with a RIP of 14 per cent will have a maturity value of only 86 per cent of the maximum notional fund available at the selected retirement age, ie the fund which would be available if the policy was entirely free of charges.

Let us suppose that partners A, B and C all effect 20 year pension policies on the same date for an annual contribution of £30,000. Partner A effects his policy with Standard Life via his insurance broker on normal commission terms. Partner B effects the same policy via a firm of consulting actuaries on nil-commission terms and Partner C effects a policy linked to his partnership Sipp.

If each partner's policy achieves a rate of return before charges of 13 per cent per annum, Partner A's policy will be worth £1,612,000 and Partner C's £1,785,000. Partner C's pol-

icy has the highest value because it suffers the lowest charges.

Many people will rightly suspect that one key feature of this analysis is the impact of commission on maturity proceeds. For example, the difference between the value of Partner A's policy and Partner B's is £156,000. This difference is the direct result of the commission structure.

Surprisingly, the difference between Partner B's policy and Partner C's, £173,000, is even larger, indicating the substantial additional costs borne by Partners A and B as the result of the insurer's own expenses. Commission is, therefore, not the only handicap on the maturity of proceeds of conventional policies.

Many pension advisers and investment managers dismiss

outperform Partner C's by around 1 1/2 per cent per annum and 1 per cent per annum, respectively. Over a 20-year period this is very unlikely.

It is also possible to turn the outperformance argument on its head. One of the advantages of a Sipp is that it does not necessarily have to produce the best investment performance to outperform other policies. For example, in the case set out above, Partner C's policy could underperform by 1 1/2 per cent per annum and his policy's maturity proceeds would still be the same as Partner A's.

Finally, on the subject of cost-efficiency, there are only two factors which will influence the return achieved on a partner's pension contributions; the rate of investment return and the level of charges

Andrew Warwick-Thompson reports on schemes for company partners

the importance of charges and point instead to the superior investment performance of the product they are selling. This argument is realistic only when comparing "like with like", for example, a Standard Life policy set up on normal terms compared with a Scottish Widows' policy established on the same basis. In such a case the difference in charges is likely to be slight and relatively modest differences in investment performance will tend to "lose" these differences over time.

However, the argument for ignoring charges loses weight when comparing the charges of conventional policies with Sipps. For example, in order for Partners A and B to achieve the same (or better) policy maturity proceeds than Partner C their policies must

incurred. Only the last of these can be predicted with any certainty and every effort should be made to keep them as low as possible.

Apart from the cost, the other great advantage of a Sipp is that the partners appoint and control the investment manager. If the manager fails to perform satisfactorily he can be sacked and replaced without penalty.

Contrast this to the position if partners hold conventional policies. If the performance is poor, partners will have little sanction but to direct their future contributions to another policy. They might also try to transfer out of the poor performing policy but this is unlikely to be achieved without a high penalty.

So why do relatively few partnerships have Sipps (or

one of the pre-1989 variants)? The answer lies in a combination of the following points.

■ Most pension advisers are remunerated by commission. The best self-administered schemes are set up on nil-commission terms so recommending them is not usually in the interests of the adviser.

■ Sipps require partners to act collectively. This is hard to achieve in practice and represents a "difficult sale". Most advisers will take the line of least resistance and recommend conventional policies.

■ Partners tend to treat their financial affairs as private and separate from those of their partners. Unfortunately, this unavoidably moves them towards conventional, individual policies.

■ Setting up a Sipp requires skills which are not usually associated with the commission end of the pensions industry.

Sipp skills tend only to be found in those advisers whose principal activity is advising occupational group schemes. Such advisers only operate on a fee paying basis and their services may only prove worth-while if they are appointed by the firm as a whole rather than individual partners.

Therefore, if more partners are to benefit from the type of policy arranged for Partner C their firms need to recognise the need for fee-paying professional advice.

Until then, sadly, most partners in professional firms will continue, quite unnecessarily, to lose substantial parts of the pension funds in the form of commissions and other expenses.

*Figures in the table are calculated assuming annual contributions of £30,000 and an annual rate of investment return of 13 per cent. It is assumed that 15 partners participate in the Sipp, each contributing £20,000 per annum.

Andrew Warwick-Thompson is head of the partnership pensions section at consulting actuaries Bacon & Woodman.

Policy type	Percentage reduction in premium (RIP)		
	10 yrs	20 yrs	30 yrs
Normal policy terms (Standard Life)	14	20	27
Nil-commission terms (Standard Life)	14	12	18
SIPP	1	2	4

News in Brief

FRAMLINGTON is marking the new year by launching four unit trusts. All are initially aimed at the institutional market, but only one (the Exempt Balanced fund) is exclusively so. The three other trusts - American Growth, UK Growth and Emerging Markets - all have minimum investments of £500, so are easily available to small investors.

The American Growth fund will invest in large and medium companies in the US, Canada and Mexico, and will complement the group's existing American Smaller Companies trust. The UK growth fund will invest in large and medium sized UK stocks.

All the trusts, except Exempt Balanced, will have an initial charge of 5 per cent; American Growth and Emerging Markets will have annual charges of 1.25 per cent and UK growth 1 per cent.

Building Societies have noticed that nervous borrowers are opening for fixed rate mortgages in higher numbers. However, the rates on offer are not as

good as they were two months ago. Chelsea building society is today launching three fixed mortgages. One is fixed until June 30, 1995 at 7.95 per cent (for loans up to 90 per cent of valuation). The other two are fixed until June 30, 1997.

For loans up to 60 per cent of valuation the rate is 8.50 per cent, and for those up to 90 per cent of valuation, it is 8.75 per cent. Borrowers are required to take out Chelsea's own house and contents insurance, and the administration fee is £195. Interest only and repayment mortgages, as well as pension and endowment deals, are available.

Britannia building society has launched an 8.75 per cent mortgage fixed for five years. The arrangement fee is £225, and early redemption attracts a penalty of 180 days' interest. Interest only and repayment mortgages are available but you are required to buy Britannia's own house and contents insurance.

Societies are also waking up to

the outflow of savers' funds into other products following the autumn base rate cuts. National and Provincial is offering a one percentage point of extra interest for a month on its Instant Reserve, Private Reserve and Investment Reserve accounts. Money must stay in the accounts until the end of February, when the extra interest will be paid for 31 days, based on the balance growth during January.

Life Association of Scotland is one of the many companies trying to tempt funds away from the building societies. It is promoting its "Generator" plan, a five-year temporary annuity linked to a personal equity plan. The scheme is very similar to Scottish Widows' plan, marketing for which has been sharply criticised by some advisers.

Part of the investment goes into the annuity, which pays out an income, while the rest aims to grow enough to restore the capital at the end of the five years.

It needs to grow by at least 13 per cent per annum if the capital is to be replaced in full, so investors have a real chance of capital loss.

LAS is hoping to attract funds from building societies, but admits that the exposure to equities means a higher level of risk. If capital is returned, then income should total above 9 per cent annually, depending on the age and sex of the annuitant.

Falling interest rates do seem to mean some relief for those whose debts were out of control. TSB has cut the monthly interest rate on TSB Trustcard and TSB MasterCard from 1.88 per cent to 1.79 per cent, with effect from January 25.

The APR for purchases will be 23.7 per cent, and 24.1 per cent for cash advances.

TSB still does not charge an annual fee for its credit cards, unlike any of the big four clearers, and claims the latest move makes its credit cards "among the most competitively priced available".

Reforms urged for pensions

Philip Coggan looks at the calls for a single pension regulator

THE Consumers Association this week added its voice to the calls for the creation of a single regulator for pensions and a compensation fund for occupational schemes.

The financial services industry has been putting forward its views on pensions over the last few weeks, in submissions to the Pension Law Review Committee, under the chairmanship of Professor Roy Goode.

The Goode committee was established in the wake of a report from the Commons select committee on social security, which recommended changes to the trust law which has been the basis of pension fund operation since the 1920s. Debate has centred around the issue of compensation. The National Association of Pension Funds originally proposed a compulsory scheme which would refund a shortfall no matter how it had occurred. This was fiercely attacked by the Electricity Supply Pension Scheme, the UK's second biggest, which threatened to resign from the NAPP over the issue.

The association made a partial climbdown in its final submission to the Goode committee, and recommended that schemes should cover fraud, theft and negligence only. This view is backed by the CA which said that: "A sensible plan for compensating beneficiaries who lose out because of regulatory failure must be established."

"This would cover losses as a result of fraud," says the CA, "and as a result of professional negligence where, for whatever reason, the members cannot claim compensation from the professional concerned."

The CA added that such a scheme should be funded through insurance, so that poorly-administered schemes were not subsidised by well-run schemes. However, if the insurance industry was not prepared to meet the risk, the

CA backed a compulsory levy on occupational schemes.

The electricity supply pension fund wanted any compensation scheme to be funded by a combination of professional indemnity insurance, the Investors Compensation Scheme (run under the Financial Services Act) and the government. The liability of occupational pension schemes would be strictly limited.

Over the question of regulation, the CA joins other organisations, such as the Prudential and the Confederation of British Industry, in favouring a single authority.

"A single statutory regulator, reporting direct to a single government department, should be established to take responsibility for ensuring investor protection and fair play in the occupational pensions sector."

In addition, the CA called for pension rights to be protected in an employee's contract of employment.

■ Trustees to be qualified, with one being given the responsibility of ensuring the scheme's assets are safe.

■ Professional advisers to have a responsibility to report suspicions of fraud or maladministration.

■ Members to be sent an annual statement of benefits and summary of accounts.

The Goode committee has received over 1,000 submissions in response to a list of 81 questions it sent out in September. The committee is scheduled to produce its report in the summer of 1993.

Meanwhile, the CA gave the government the dubious honour of its Captive Consumer Award for its handling of the late Robert Maxwell's frauds.

"Official failure to regulate strongly and effectively culminated in Maxwell pensioners being captive consumers," said Derek Prentice, CA assistant director. "They are prisoners of a pensions scandal for the rest of their lives."

COMPANY NEWS SUMMARY

Company	Value of bid per share	Market price	Price before bid	Value of bid	Bidder
Woods	87.99	102	72	94.30	Wessex
New Connell	46	46	44	44	Brookland Prop
Singapore Cornhill	38 1/2	53	62	1.57	Bahwin

*All cash offer. †Cash alternative. ‡For capital not already held. §Unconditional. ¶Based on 12.50 pm prices 31/12/92. ††Shares & cash alternative. ‡ Price at suspension.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£m)	Shareholders' per share (p)	Dividends per share (p)
Caspar Oil	July	108 L	(80)	-
Estates & Agency	June	787	(7,140)	11.57 (14.24)
Jewelling Brothers	Sept	478	(462)	11.8 (12.0)
Kellogg Industries	Sept	307	(1,440)	-
Whitway	Oct	3,510	(2,900)	-

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£m)	Shareholders' per share (p)	Dividends per share (p)
Graig Shipping	Sept	595	(1,700)	1.0 (2.0)
Kembrey	Oct	114	(170)	-
Radient Metals	Aug	1	(40 L)	-
Steeles	Aug	14	(-)	-
Whitney Mackay-Lewis	Oct	353 L	(119)	-

(Figures in parentheses are for the corresponding period.)
Dividends are shown net pence per share, except where otherwise indicated. L, loss.

RESULTS DUE

Company	Announcement	Dividend (p)
FINAL DIVIDENDS		
Irish Continental Group	Wednesday	-
Quality Care Homes	Wednesday	-
INTERIM DIVIDENDS		
Abey	Thursday	-
Banks (Shirley C.)	Wednesday	2.75
Baxner Homes	Wednesday	5.5
Bespak	Wednesday	5.5
Bruck Wagon	Thursday	3.4
Flaming Ltd. High Inc. Ltd.	Thursday	1.0
Flextech	Wednesday	1.5
Groverman Inc.	Friday	-
Hollis Group	Wednesday	0.6
Neopand	Wednesday	0.6
Property Security Int. Ltd.	Monday	0.5
Servite	Wednesday	1.5
TR City of London Ltd.	Thursday	2.25
Vardy (Reg)	Thursday	1.10
Williamson Tea Hides	Thursday	1.3
	Thursday	10.0

Dividends are shown net pence per share and are adjusted for any intervening scrip issues.

Diary of a Private Investor



However, this year's disasters include not "getting out quick", even when the opportunity was available. Over the years, I have made some useful profits via my personal pension scheme by buying and selling the capital shares of Scottish National Trust. I appreciated that, due to the structure of the various classes of shares in this investment trust, the share price of the capital shares tended to be highly volatile, but I did not keep a close enough watch on the share price and the perfor-

My wife proved more astute when she sold her last Liberty voting shares for 575p in August while my personal pension fund hung on in the hope that Brian Myerson's

By the time I sold, in April, the price was down to 110p.

Looking back, it would seem that takeover hopes have caused me to hold on to shares in a year that has been nota-

to Me, were bought with the long term in mind - rather like laying down wine to mature.

My best investments, however, were achieved as a result

Kevin Goldstein-Jackson

TECHNOLOGY for sending money to people overseas is still in its infancy. If you are carrying a plastic card while travelling, cash services available are endless. The past year's turmoil on the foreign exchange markets has demonstrated how easy it is for large companies and financial groups to transmit money across national boundaries. But for individuals sending small amounts overseas to friends or family, money transfer is disquietingly expensive.

Western Union offers a similar same-day service. If you want to send money, telephone their toll-free number (800-833833). This will give you the address of your nearest

£10 and a maximum of £32 for larger figures.

■ **National Westminster** charges a minimum of £7.50 and a maximum of £50 for foreign currency drafts.

There are two caveats, however - gains will be taxed as income, so taxpayers who have not used up their Capital Gains Tax allowance would do better to choose an indexed unit trust. The investor benefits only from the capital rise in the Footsie, not from any dividend yield.

The minimum investment is £5,000 and the issue is open for investment between January 2 and February 25.

Directors' transactions

He bought a total of 590,000 shares the most recent batch of 375,000 at 37.5p. The first purchases, made in February and March, were executed at prices between 44p and 48p.

When Henllys Group fought off an unwanted bid from rival motor dealer T Cowie, one


making it a more attractive recovery prospect.

With the share price back at 73p, Robert Wood, chief executive, has bought 35,000 shares, taking his holding up to 168,000.

***Angus MacDonald
Directus Ltd***

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Value expressed in \$000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 14-24 December 1992.

BUILDING SOCIETY INVESTMENT TERMS

* For information see local directors, *Journal of Bank Rate Inc.* CAR = Annual yield after interest compound.

PERSPECTIVES/MINDING YOUR OWN BUSINESS

As They Say In Europe

As rare as a Brandenburg olive

I POPPED over to Brussels for the New Year to see my Luxembourg friend, Jean-Peter Martini. He is still at the European Commission, running the new Language Harmonisation Programme.

I showed my alarm when I heard about it but he said that I need not worry. "It isn't one of those 'intrusive' programmes that you British go on about it's just to clear things up at the edges. To gain uniformity in common usages."

He slapped a Dutch newspaper in front of me. A headline read, *De zonnebloem zakt*. "You see that was about the oilseed row with the US. It is a joke, but incomprehensible to the British."

"Dutch jokes normally pass us by."

"That is not the point," said Jean-Peter heatedly. "It means 'The sunflower case' - a reference to the Tintin books. The character you call Professor Calculus is Professor Sunflower."

In my amazement, or apathy, I emitted an expletive.

"That is another problem - differential swearing. Do you know that in 1992 two German-speaking correspondents in London could not translate the simple English word 'bugger' which was essential to their articles? Bernhard Heinrich of the *Frankfurter Allgemeine* did a piece on the British honours system and how the initials were vulgarised - KCMG stands for 'Knight Commander of St Michael and St George' and becomes 'kindly call me God' and so on. Well, when he got to Order of the British Empire, or whatever OBE stands for, he wrote, 'Other buggers' efforts, which can't be correctly translated into high German."

Charles Ritterband in the *Neue Zürcher Zeitung* quoted George V's dying words 'Bugger Bognor' and has to render them as 'To hell with Bognor'."

I agreed that was a problem.

"But we are making progress in other areas," said Jean-Peter. "We are trying to establish a fixed system of cliché exchange that would enable politicians to be immediately understood. People often take each other literally and the misunderstandings are dreadful. You must come to 'Barcelonnette' in Essen in March. It's going to sort these things out. Britain is making

a huge contribution."

He pointed to a board on which was written, "You can't kick start the economy by moving the goalposts on a level playing field."

"As it stands that sentence is quite incomprehensible, except in Greek. It gives our interpreters enormous problems."

Elsewhere I saw other country's contributions. The French offered *Nous n'allons pas nous noyer dans la morosité du bou-émisme à la dérive*.

"Bmm..." I said. "We aren't going to drown in the gloom of the rudeness seapoint? Not bad."

"But what does it mean?" shouted Jean-Peter. "Look at this

he is fleeing from some of the products on which the company was built."

Chandlery, which accounted for 60 per cent of business four years ago, now makes up less than a third of sales and is likely to fall to 30 per cent or so, Burks explains. "That is so low due to the recession and the difficulties of managing hardware. Holding chandlery stocks can be a nightmare."

He cites the 500 types of stainless steel screws used in boats, and the chandlery supplier with a 300-page catalogue covering thousands of products.

Second-hand equipment, from navigation lights to portable toilets, has dropped from a quarter of Yacht Parts' business to just a few per cent.

"People are keeping hold of things much longer," he says. Sales of electronic equipment are also much less important.

"There are specialist mail order companies doing this. What's the point of making £5 on a £200 item?"

To compensate, he is counting on clothing and rigging. A much wider range of outdoor clothing and shoes now makes up more than a third of sales, and Yacht Parts has negotiated a couple of exclusive distribution arrangements with British clothing suppliers.

Burks says rigging accounts for a quarter of sales and this is growing, particularly for building work and interior design. One of his contracts - which includes installation - is a design feature at a London suburban railway station.

Yacht Parts has some heavy overheads. Burks' modest yearly salary is £24,000, wages are £21,000 a year; transport £7,000 and a stand at the London Boat Show, and prepara-

Minding Your Own Business

A little chandlery still clinging to the rigging

Nick Garnett on a small shopkeeper's fight to stay afloat in a hostile climate



Knotty problem: Adrian Burks, managing director of Yacht Parts, is tackling a changing business

CORNER shops are businesses. They are one of the simplest forms of enterprise allowing owners to be their 'own man.' They also account for a substantial chunk in the long list of recent small company collapses.

Sometimes, it is a case of too many newsgroups in one neighbourhood, or a village where economic life has been deadened by weekenders. In others, it is a personal failure to grasp the basics of buying and selling and controlling costs.

The short history of Yacht Parts, a marine chandlery actually housed in a larger-than-average corner shop in London, shows many of the serious difficulties afflicting small shop-based operations.

The owner, Adrian Burks, remains confident about the company's future, but he can reflect on a series of crises since he started up in 1984. Opening another arm at East Anglia nearly three years ago wrecked the company's cash flow and nearly broke it. Switches in customer demand have been awkward to deal with, and a computer system difficult to set up and run.

Lower profit margins have dogged the business. In its first full year, Yacht Parts broke even on a turnover of £90,000. In 1991, it squeezed a profit of £8,000 on £246,000 turnover. In the year to September 1992, it rolled up a loss of £13,000 on £254,000.

So, it is hardly surprising that 36-year-old Burks says: "It has become clear, as a result of analysing both costs and sales, that a big marketing effort is needed to increase turnover to cover costs. In the past, we have been drowning in our own mess. We have cut costs

and I feel we can increase turnover by a quarter over the next 12 months."

Now, Burks is accelerating the process of transforming Yacht Parts from a chandlery serving the recession-hit boat-club fraternity to a broader supplier of products, from outdoor clothing to rigging for the interior design industry.

With his brother, Burks inherited a yacht-chartering business before joining one of the handful of chandeliers in London. In 1984, the brothers set up their own business in the same premises Burks still uses in Fulham. "We had £5,000 of our own money, £5,000 from an investor friend and a £10,000 overdraft from Lloyd's bank." Rent was then £5,000 a year but, with rates, has risen to more than £18,000.

The shop still caters for boat-owners living in London. But, two-and-a-half years ago, Burks made the mistake of opening another arm at Shetland, Norfolk. "It's at the end of a peninsula served by a small marina road. The only captive market was the boats in the marina and the promise of a larger marina development never materialised."

"We were there for a year. We didn't take a direct loss but we bought in a lot of stock, some of which we had to sell at below cost. It gave us terrible cash flow problems from which we are only beginning to pull out."

Burks is most concerned now with the need to move the business further away from its roots. The Fulham shop is still packed with stuff for messing about in boats, from dinghy splash suits and compasses to floats, mooring handles and miniature electronic navigation systems. But

he is fleeing from some of the products on which the company was built."

Chandlery, which accounted for 60 per cent of business four years ago, now makes up less than a third of sales and is likely to fall to 30 per cent or so, Burks explains. "That is so low due to the recession and the difficulties of managing hardware. Holding chandlery stocks can be a nightmare."

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To compensate, he is counting on clothing and rigging. A much wider range of outdoor clothing and shoes now makes up more than a third of sales, and Yacht Parts has negotiated a couple of exclusive distribution arrangements with British clothing suppliers.

Burks says rigging accounts for a quarter of sales and this is growing, particularly for building work and interior design. One of his contracts - which includes installation - is a design feature at a London suburban railway station.

Yacht Parts has some heavy overheads. Burks' modest yearly salary is £24,000, wages are £21,000 a year; transport £7,000 and a stand at the London Boat Show, and prepara-

tions for it, £8,000. "We tried to do without advertising, but that was a mistake and we are spending about £13,000 a year on that."

Burks still faces big problems with turnover and lack of profit. He plans to try to raise prices by 10-15 per cent and use much more direct marketing. That includes direct mail promotions for the firm's rigging service to theatres, exhibition halls and sports facilities, and direct mail to yacht charter operators and yacht clubs.

Yacht Parts has started offering deals to businesses in west London, allowing their staff discount prices on its goods.

To help control stocks, potential customers can now sit in an office and choose chandlery items from a battery of catalogues. Burks will order the goods as one-off items.

The company also took 18 months to get its £1,500 computer system running properly. "A friend eventually acted as

gave a faint leer and said, "A thirsty teetotaler prefers a pasta to a pickled herring."

"I beg your pardon."

"That's one of our new cross-border proverbs and sayings. Delors is going to use it next week. I hope you won't break the embargo on it. Perhaps you can help, on a free-lance basis. We pay for new sayings."

"I'll have a go."

"And don't waste time like a Spanish waffle-maker or turn it all into a Pomeranian paella, these things are as rare as a Brandenburg olive..."

"I won't fail - I'll wander all Lombard Street to a China orange on it."

"Hey, that's good. I'll add it to the list."

James Morgan

James Morgan is economics correspondent of the BBC World Service.

HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)					
Scarbrough BS	First Post	0800 580578	Instant	£250	8.80%
Bristol & West BS	Balmoral A/C	0800 100117	Instant	£2,000	9.10%
				£25,000	9.20%
Scarbrough BS	Scarbigh Ninety 3	0723 388195	90 Day	£500	7.25%
Manchester BS	3 Year Income	061 634 9465	3 Year	£10,000	8.57%
Chelsea BS	Premier VI	0600 272505	31.3.95	£10,000	10.00%
Greenwich BS	Flagship Term Sh	081 858 8212	1.3.94	£25,000	10.25%
TESSAs (Tax Free)					
Allied Trust Bank		071 625 0870	5 Year	£3,000	8.40%
West Bromwich		021 525 7070	5 Year	£150	9.00%
National Counties BS		0372 742211	5 Year	£3,000	8.75%
Tipton & Caseley BS		021 567 2551	5 Year	£1	8.65%
HIGH INTEREST CHEQUE A/c's (Gross)					
Caledonian Bank	HICA	031 556 8235	Instant	£1	6.50%
Cliffville	Money Market Plus	0800 555894	Instant	£2,000	7.25%
Chelsea BS	Classic Postal	0800 717515	Instant	£10,000	7.80%
				£25,000	8.10%
OFFSHORE ACCOUNTS (Gross)					
Portman CI Ltd	Channel Islands	0461 822747	Instant	£500	7.00%
Portman CI Ltd	Channel Isl Plus	0461 822747	60 Day	£10,000	7.75%
				£25,000	8.00%
Bristol & West Intl Ltd	Intl Premier	0481 720809	11 Mnthly	£50,000	8.20%
GUARANTEED INCOME BONDS (Net)					
Prosperity FN		0800 821546	1 Year	£25,000	8.80%
Prosperity FN		0800 821546	2 Year	£25,000	8.55%
Laurentian Life FN		0452 371371	3 Year	£50,000	6.70%
Financial Assurance		081 367 8000	4 Year	£5,000	6.20%
Laurentian Life FN		0452 371371	5 Year	£50,000	7.00%
NATIONAL SAVINGS A/c's & BONDS (Gross)					
Investment A/C			1 Month	£5	6.25%
Income Bonds			3 Month	£2,000	7.00%
Capital Bonds G			5 Year	£100	7.75%
NAT SAVINGS CERTIFICATES (Tax Free)					
40th Issue			5 Year	£100	6.75%F
8th Index Linked			5 Year	£100	9.25% + Inflation
Childrens Bond E			5 Year	£25	7.85%F

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. F = Rate guaranteed only until 1.4.93. Y = Rate fixed only until 1.4.93. M = Rate guaranteed until 1.5.93. S = Rate guaranteed only until 1.2.93. L = Rate guaranteed only until 12.2.93. # = After 6 month qualifying period.

Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates. Laundry Lane, North Watsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0892 500677.

My hidden relatives

FROM 1986 I lived with a woman as common law man and wife. She died recently intestate. There are no blood relatives alive. Should a step sibling materialise what is my legal position as regards the disposal of her house and possessions?

■ If the deceased left no relatives of the whole blood, the rules of intestacy specified in the Administration of Estates Act 1925 and the Intestates' Estates Act 1952 allow brothers and sisters of the half blood or, failing them, uncles and aunts of the half blood to inherit. If anyone in either class were found, they would (together with all others in the same class) inherit all the estate, equally between them if there is more than one.

■ If diligent enquiry produces no one in either class, the Crown will take the estate, but you can make a claim to an *ex gratia* provision for yourself from the Treasury Solicitors' Bona Vacantia department. It is usually sympathetic.

A return is good form

AFTER THE first year of independent taxation for married couples, my wife made a claim to the Inland Revenue in respect of tax overpaid on her income from investments, then largely in equities. The claim was met, and she was sent another tax repayment claim

form for the subsequent year. She has not used the form because she has since arranged matters so that the nil-rate tax band is covered by income from investments not taxed at source. She plans to continue this process, as nearly as possible and in balance over the years.

The Revenue has taken no further interest in her affairs, and meanwhile the tax vouchers, contract notes, and other records are piling up. How long should they be kept in case of future approaches from the Revenue?

■ Even if your wife has been selfish (or lucky) enough to arrange that her unearned income of 1991-92 amounted precisely to £2,005, we recommend that she submit a tax return/claim. Even if you are both a long way from your 66th birthdays, and your wife does not wish to claim any part of the married couple's allowance, it will be simpler in the long run if she continues to submit tax returns.

You may like to ask your tax office for the free pamphlets IR80(1992) (Income tax and married couples) and IR84(1992) (Have you anything to declare?).

Plans for a garden sale

WE BOUGHT the house in which we live, with a garden, six years ago. This year we received planning permission

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

for a house on the rear part of the garden.

1) Can we avoid capital gains if we sell the land with planning permission before we sell our house, using that land as part of the garden right up to its sale?

2) The land with planning permission is separately registered. It was added to the original garden nearly 50 years ago (we bought the house and the whole garden as a single transaction). We are about to remortgage property if we exclude that land from the mortgage, could this affect the capital gains position?

■ 1) Yes, in principle, provided that the tax inspector is (or the Appeal Commissioners are) satisfied that you did not buy the house "partly for the purpose of realising a gain from the disposal of it" and that no expenditure after the purchase was "incurred wholly or partly for the purpose of realising a gain from the disposal". The words in quotation marks are from section 294(3) of the Taxation of Chargeable Gains Act 1992. Ask your tax office for the free pamphlet CGT4 (owner-occupied houses).

2) No (subject to the same proviso).

The solicitors who act for you in the remortgage - and the prospective sale - will be able to guide you through the CGT pitfalls etcetera, of course.

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Notice is hereby given that the Order of the High Court of Justice (Chancery Division) dated 9 December 1992 confirming the reduction of the capital of the above-named company from £2,000,000 to £500,000 and the consequent reduction of the share capital of the company from £2,000,000 to £500,000 as shown in the Register of Companies on 22 December 1992.
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FASHION

Banish the grey

It is time for the British male to brighten up his act, says Christopher Brown

UNLIKE his counterparts in the bird kingdom, the British male is usually drab. There might be a flash of colour at the throat or on the chest, but he shies away from primary or secondary colours, assuming he knows what they are.

There is, however, change afoot and, like magpies, our British male is being attracted to 'brights'. It could be a reaction to the grey weather, or a long-delayed decision to make a visible display to attract the opposite sex.

Whatever the reason, sartorial life looks as if it is going to be more colourful in 1993.

Once colour was the preserve of the Italians, the French, and even the Americans (remember all those bright tuxedos?). Now the British male is also being tempted to buy clothing which is not grey, black or navy.

You will not see the migrating flock of grey suits on London Bridge turn overnight into an exotic and colourful flight, but you will begin to see red jackets appearing on the street, at parties and in restaurants. Red is no longer the exclusive domain of huntsmen, guardsmen or Butlin's redcoats.

There are those who think that colour does not become the British complexion. But this is a fallacy; in the 18th and 19th centuries, the male was a peacock and it is only during this century that colour has become associated with vulgarity, eccentricity and effeminacy.

But greys, blacks, browns and dark blues have now become the colours of the male plumage, with the occasional chance

to wear some bright tweed in the country or a pastel blazer in the summer at some jolly boating event.

Now the British male has the opportunity to invest in colour for his wardrobe. In most menswear shops, from the easily accessible Oakland and Next to Jones with its emphasis on top-class international designers, colours across the spectrum are being introduced on to the rails.

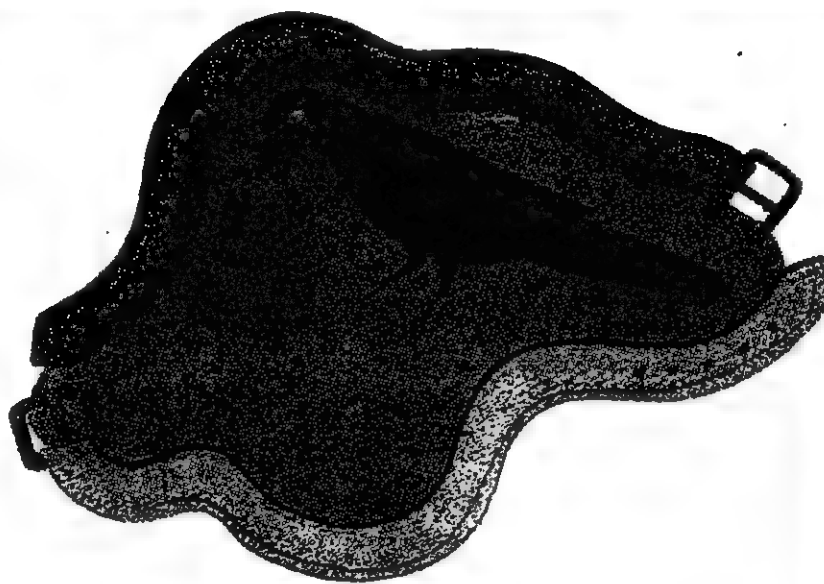
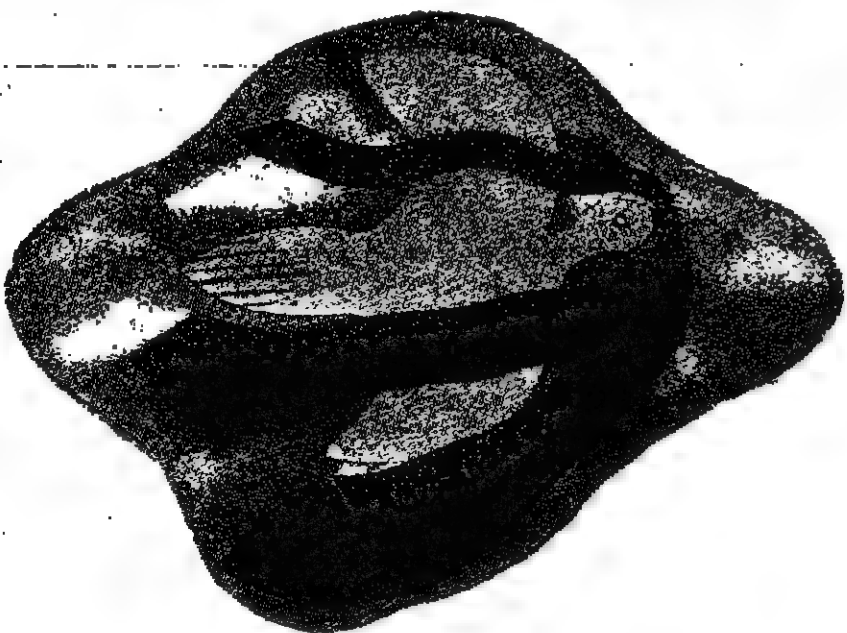
And Paul Smith proves that English designers are not afraid of colour, offering not only clothing but also belts and shoes in various colours.

In Savile Row, a cuckoo has appeared among the distinguished ranks - Richard Jones offers beautifully cut 'traditional' clothes made from wonderful cloth in marvellous hues.

Colour is not about vanity - we all perhaps remember too well the Aesop fable in which the crows gather feathers from other birds so as to be able to rival the peacock, only to be humiliated because of his presumption.

Instead, it is about having the confidence to pluck out just a handful of grey feathers and replacing them with some brighter ones.

TIES do not have to come with grand international names attached. It may be more fun to go for less immediately recognisable designs. Sketched here (below) are a hand-embroidered, mustard-coloured silk tie with an olive and red flower appliqué motif by Sarah Beresford, £49, and a blue check silk tie, £39, both from Paul Smith, 41-44, Floral Street, London, WC2.



TRAIL BLAZERS: (Top, from left): Red wool blazer by Hugo Boss, £183 from Woodhouse branches, including 97 Kings Road, London SW3. Brilliant green velvet waistcoat, £105, from Freedman & Taring, 27 Cork Street, London W1. Lilac cotton/viscose shirt £55, from Agnes B, 111 Fulham Road, London SW3 and 35-36 Floral Street, London WC2. Grey and white silk tie, £45 from Richard James. Purple suede gloves, £45 from Paul Smith. Thierry Mugler grass-green wool

jacket with metal star buttons, £485, from Jones, 13 Floral Street, London WC2. Worn with red and white cotton shirt by Comme des Garçons, £110, golden yellow Harris tweed waistcoat, £125, both from Jones. Red suede gloves, £45 from Paul Smith. Deep purple pure wool jacket, £350 from Richard James, 37a Savile Row, London W1. Worn with a cyclamen cotton/viscose shirt, £55, from Agnes B and a bright red velvet waistcoat, £105, from Freedman & Taring. Lilac suede gloves with sheepskin lining, £58, from Paul Smith. Silk tie, £45 from Richard James. Silk handkerchief, £25 from Richard James. BELTS can also be used to add colour. Above is a brilliant blue and a sizzling yellow leather belt, £39 each, from Paul Smith. The cufflinks (left) come in a leather pouch and are gold-plated with black or red cord, £45, from Freedman & Taring. Cufflinks (right) are from an original design by Line Vautrin from the '50s. Gold-dipped, £245 from Richard James.



GREAT KNITS: Hand-knitted pure wool sweater, £165, from Christopher New, 56, Neal Street, and 52 Dean Street, London W1. Green cotton Levi jeans, £22, from Paul Smith. Grey fake fur hat, £60, from Christopher New. Plain silk ties, £45 each, from Freedman & Taring, 27 Cork Street, London W1.

Where to find a good cup of coffee in the sales

SHOPPING in the sales can be exhausting as you lug heavy carrier bags from one overheated store to another. Desperate for something to eat and drink, you end up in the basement of a large department store, eating under-cooked and overpriced microwave jacket potatoes. But you do not have to suffer: here are some suggestions on where to find the best snacks.

In Oxford Street, the best in-store cafeterias are Selfridges and John Lewis's The Place to Eat. But it is often quicker and more pleasant to step outside. James Street, just north of Selfridges and round the corner from Nicole Farhi and Buckle My Shoe in St Christopher's Place has several cafes, including Cafe Rouge and Cafe Creperie.

Five minutes' walk north of Selfridges is Maison Sagie, 106 Marylebone High Street. This is an old-fashioned, continental patisserie and is ideal for a late breakfast of strong, coffee and brioche, croissant, a fruit tart baked downstairs, or lunchtime omelette. A pot of filter coffee is £1.25, a croissant £1.10. It is open 9am to 5pm weekdays and to 1pm on Saturday.

Close to the Loewe end of Bond Street is the Granary Restaurant, 39 Albermarle Street. If you are hungry this is the place to go, either for a huge salad, hot dishes or imaginatively cooked vegetables or old-fashioned puddings. Avocado stuffed with spinach and cheese or paella with chicken and mushrooms is £6.50. Staff are helpful, the self-service queue is short and children are welcome. A meal for one, with a glass of wine, desert and coffee is £11-£12. Open from 11.30 am to around 5pm on weekdays; Saturday to 4.30pm.

On the edge of Knightsbridge is The Conservatory in the Lanesborough Hotel. It is not cheap but it is on Hyde Park Corner. It is not cheap but it is worth a visit if just to see the lavish neo-Gothic design. The hotel staff are friendly, courteous and helpful and unsnoozy. A courteous and helpful and unsnoozy. A large cup of cappuccino is £2.50; Caesar salad with duckling £7.50. From 3-6 pm a

pianist accompanies afternoon tea; scones, crumpets and clotted cream £5.00; full afternoon tea £13.50. It is open from 7am to 12 pm.

A short walk away in Harvey Nichols' basement is Joe's restaurant bar which does a tasty selection of light meals. The decor is black and grey, the clientele trendy, but less so than in Joe's on Dreycott Avenue. Service is quick. The mouth-watering room soup is good but is almost the cheap bread, provided free, is excellent and makes up for the £1 cover charge levied during lunch.

Filling club sandwiches are £7.50; appetising salads start from £7.50. The restaurant

Heather Farmbrough suggests places to take the weight off your feet in London's West End

rant is open for lunch noon Monday to Saturday (11am to 3.30pm Sunday) and dinner from 7pm, Monday to Saturday.

Emporio Armani Express, 191 Brompton Road, does a tasty *crostini* - toasted bread with chicken livers, tomato and mozzarella. Parma ham and artichoke for £4. Cappuccino is good and creamy, but at £2 a cup it should be. Lunch includes Italian dishes and salads. Main dishes are £8 - £10.00. There are interestingly dressed people to stare at if you are eating alone. Open 10.00 am to 5.30 pm; lunch from 12.30.

There is no shortage of choice in the Brompton Cross area. Near Beauchamp Place, Patisserie Valerie, 215 Brompton Road, offers a good breakfast until 11.30. At lunchtime, there are more substantial dishes, such as *croque monsieur* for £2.80, but the pastries and deserts should not be missed. *Tarte aux pommes* is £1.50; good

cappuccino £1.20. The tables at the back get busy but there is usually room at the counter. Service is quick and efficient. It is open 7.30am to 7pm Monday to Friday; 7pm on Saturday and 9am to 6pm on Sunday.

A favourite among shoppers is La Brasserie, 272 Brompton Road. Hot food is served all day including *croque monsieur* £2.50, spinach salad with feta cheese £4.80. A small pot of coffee for two is £1.60. It is open Monday to Saturday 8am to 12 pm and from 10 am on Sunday.

For Sloane Square and the King's Road, Cafe de Blank in the basement and conservatory of the General Trading Company 144 Sloane Street is hard to beat.

Breakfast includes kedgeree and omelette with herbs, or you can choose from a tempting selection of pastries and healthy-sounding cakes. At lunchtime, salmon cakes and dill sauce cost £6.95; home-made soup with cheese and onion bread £2.25, perhaps followed by Greek yoghurt, honey and almonds for £2.75. The staff are friendly and quick, the conservatory overlooking the small garden is light and pleasant. Open from 9am to 6pm.

Serious shoppers often skip lunch and take tea instead. Brown's Hotel 30-34 Albermarle Street serves tea from 3-6pm every day. The lounge is warm, quiet, comfortable and highly sophisticated. I spotted two immaculately behaved toddlers among the predominantly American clientele. Customers may have to wait. Tea - a huge selection of cakes, scones and sandwiches is £12.55; high tea with a supper dish is also available. Gentlemen must wear jacket and tie.

Tea is an equally well-established institution at The Hyde Park Hotel where the sounds of the pianist tinkle across the elegant Park Room Restaurant, which overlooks Rotten Row. Tea, sandwiches, scones and cream and cakes are £10.50 per person. There is a cloakroom where visitors can leave shopping. It is advisable to book. Tea is served daily from 4pm to 6pm.

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HOW TO SPEND IT AND OUTDOORS

Motoring/Stuart Marshall

Bumper forecast for new models

AS I peered into the bottom of the Waterford tumbler that serves as my crystal ball, what did I see for motoring in 1993? A brighter prospect than last year's - and I do not think my optimism had anything to do with a warming dram of Islay malt.

It is going to be a bumper year for new models. Without wishing to sound like a government minister trying to keep up his spirits, car registrations did soar unexpectedly in December and the flood of new models is bound to stir the market.

Among the most important of 1993's new model crop is Ford's front-wheel driven Sierra replacement, the Mondeo. It takes its bow at the Geneva show in March. So will a deadly rival, the Citroën Xantia.

A month before that, the Peugeot 309's replacement will have been unveiled at the Amsterdam show.

Earlier still, British buyers of

small cars and multi-purpose vehicles (MPVs) will have been tempted into showrooms by two new Nissans. They are the British-built Micra (European Car of the Year 1993) and the Spanish-built, though in many cases British engine, Serena.

I used both cars as transport over the holiday and was impressed; more of them in this column soon. Prices will be announced next week.

The Toyota Carina E saloons and hatchbacks rolling off the assembly line at Burnaston, Derbyshire, are powered by engines made in north Wales. The Carina E has been criticised (not by me) for offering so much silence, efficiency and promised reliability as to be tedious. That kind of boredom appeals to real-world buyers, if not to writers in magazines which persist in treating everyday motoring as a sporting activity.

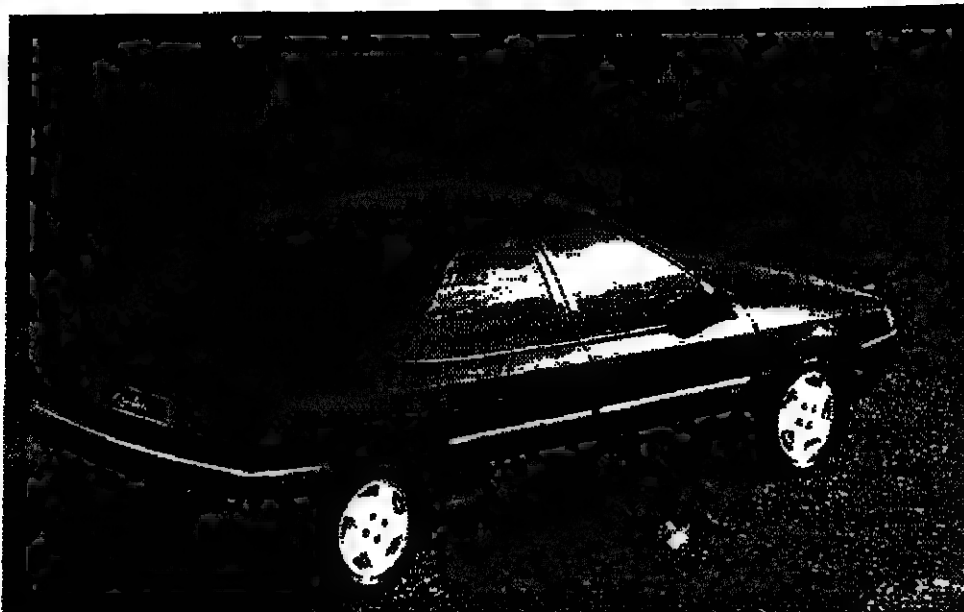
Mercedes-Benz sales, higher in the UK last year than in 1991, will be boosted by the arrival of the new 190 (another Geneva debutante). Quality car

sales have been generally healthy in Britain in recent months. There may be fields full of unsold Mercedes in Germany, where the recession is only just starting to bite, but there are none in the UK.

Honda's British-made Accord (and Montego-replacing Rover 600 version) will sharpen competition in the middle-management business car sector. Fiat, a marque I suspect will at last be coming in from the cold in Britain in 1993, will put its dinkily attractive Cinquecento before buyers here in late spring. Towards the end of the year, the replacement for the best-selling Uno is expected.

Hot hatchback sales will be further depressed in 1993 as they become harder and yet more costly to insure. Frustrated hot hatch drivers will continue to switch to recreational four-wheel drives. There will be a major upset in this recession-resistant sector with the arrival of Chrysler Jeeps later this month.

Jeep Wranglers will appeal to the young, family men will



Citroën's Xantia: making its debut at the Geneva show in March

go for the Cherokee. This very civilised five-seat estate car takes to the road like a Volvo, and goes across country like, well, a real Jeep. At a little more than £20,000 with a four-litre, six-cylinder engine, automatic transmission, leather seats, wood veneer trim, air conditioning, ABS brakes, cruise control, power windows and six-speaker stereo, it makes nearly all its competitors look expensive.

Diesels made up 16 per cent of registrations at the end of 1992 compared with only one per cent a decade ago. (Modesty alone prevents my saying

I told you so.) Their popularity will grow and by the end of 1993, one new British-registered car in five could well be a diesel.

Seeing no reason to break the habit of 14 years, I am driving into 1993 in yet another diesel - a Citroën XMtd estate with automatic transmission. I shall shortly be reporting on our first few thousand miles together.

Headlines this year will continue to blame multiple motorway pile-ups on fog, frost and snow instead of on mindless and inattentive drivers failing to maintain sensible speeds

and observe proper braking distances.

Footpaths will be used as parking places by car and commercial vehicle drivers, too idle to walk a few yards and who do not give a damn for the safety and convenience of pedestrians, especially the old and the blind.

Tougher MoT tests should result in old, rusting heaps going to the scrapyard where they belong. But with an estimated up to 10 per cent of all cars being neither taxed nor insured, I am not optimistic that all unsafe old bangers will be caught in the MoT net.

Bargains beckon

CROSS-Channel ferry operators, notably Stena Sealink, are already carrying extra travellers eager to buy cheap drink in France, writes Stuart Marshall. From yesterday, weight and space are the only practical limits on what a motorist can bring back, local duty paid, from France.

No longer will you have to trouble your conscience by tucking an illicit extra bottle under the seat. Customs' guidelines allow for 90 litres of wine, 10 litres of spirits, and 110 litres of beer. All you need do is convince them you are going to drink it all yourself.

Even duty-free allowances are to be doubled - you can bring in what you buy on both outward and return voyages. The pity is that with £fr8 to the pound, not £fr10, hypermarket wines are not the bargains they were. But lager (under £5 for two dozen 25cl bottles) is still cheap.

Stena Sealink, which offers day trip fares starting from £70 return for a car with five people, is featuring the Champagne-Ardenne region in its 1993 short break programme. Two nights' bed and breakfast in Reims will be about £80 a person in a two-star hotel and £130 for

a four-star *relais du silence*, ferry crossings included. For a small supplement, visits to champagne cellars, with a tasting, are included. Reims is a relaxed 2½-hour (and £fr170) drive on the unroaded A26 autoroute, starting in Calais docks.

■ Edmund Pennington writes: In Alice King's book *A Book of Wine* (Methuen, 1992, 128 pages) the wine-buying operation is planned in detail. Be sure to work out the car's payload and capacity, and how to pack the wine. A VW Golf hatchback with the back seat down takes 20 cases, a Ford Sierra 10 in the boot.

King lists and describes 230 wines likely to be found in French supermarkets and provides recommended growers' names to be found on the label.

Biggest savings are on sparkling wines: £1.83 a bottle on duty and VAT, compared with £1.11 table wines. Each wine listed is given the grape variety, its phonetic spelling and price band: inexpensive below £fr20, medium-priced £fr20-70 and expensive more than £fr70. Buyers at cellars in wine districts must ensure that the green capsule cap is on the bottle top, as this alone shows that TVA (VAT) has been paid.

Gardening/Robin Lane Fox

Coping with that seven-year itch

NEW YEAR is a gardener's time for plans, reflections and memories. My plans are obvious: do better, kill more weeds, spray earlier against black spot and replant that supreme luxury, a wide, newly-manured border, emptied of its previous jungle and creeping buttercups.

It looks as though single white Japanese anemones will have a large part to play. They have been one of my plants of 1992, refuting the notion that they prefer a dry year in dry soil. They will grow almost anywhere, but sometimes they need a few years to establish themselves. During the 1990s, they will have their chance to spread beneath a background of holly and a light canopy of sycamores on the problematic fringes of my garden.

As for reflections, mine run in a particular direction. I keep thinking of the principle which we all cite, but never fully obey: whenever you start a new garden or a new design, plant the perennials and big fea-

tures first. Time races by, until the seven-year wait for the first flowers on a Winter Sweet or the white buds on a Magnolia Grandiflora seem like a tiny interruption in the long road of a gardener's lifetime.

But whatever your time of life, the principle still applies. Think long term and do not make the inevitable mistake of being half-hearted. I never succeed in thinking out the long-lasting framework for an entire garden as a first move and I am always diverted in places by an anxious wish for immediate colour.

Although seven years seem an eternity when we first set out, ignore the prospect and always choose the best for the future, a Magnolia Wilsonii, not a Ribes, a

hedge of clipped box rather than laurel. Always begin by planting as many of the trees, large shrubs and hedges as you can.

As for the memories, they are less grandiose - 1992 turned out to be a remarkable year. The spring was very dry and early and, by mid-June, it seemed that everything in the garden would be over at once. After a mad acceleration of the season, it began to rain, gaining momentum in July and starting a welcome overture which has led up to the recent torrential winter, unparalleled in my memory. At the same time, the air remained unusually mild, giving us a vintage year for winter jasmine, magnolias and winter-flowering cherry, until these recent frosts.

If I could plant only one tree for the longer term, it would still be a winter cherry, of which the best form is the best-known, *Prunus Subhirtella Autumnalis*. Between the early drought and the later floods, evergreens and trees grew heroically. In the recent dry summer, survivors have been putting down deep roots: this year, they confirmed the old wisdom, that plants puzzle beginners by growing downwards for the first two or three years and then race upwards there. Never single out a shrub as a slow performer on the sole evidence of early height.

In 1992, young yews, box and the admirable evergreen *Osmanthus* started to grow rapidly upwards, after four years of sending deep

roots down for water. As a postscript, berries then appeared by the thousand on all sorts of trees, making one of the best autumns for fruiting in my memory.

Since September, it has been the year of the Sorbus and I doubt if the *Par Eastern* forms have ever been finer in Britain. Readers with Plantfinders might share my enthusiasm for *Adenophora Tashiroi*, which comes from Japan and covers itself in pale grey-blue flowers like small lampshades. It is only a foot-high when in flower and, despite the books, appears to be completely happy in full sun and a stony soil.

Beside it, I had a group of the various *Parabanks* in white and pale milk-blue flowers. Again, these small evergreen shrubs make mar-

vellous edging for any low border and seem to flower throughout the summer. The frost has not hurt them and I cannot imagine why gardeners grow them so seldom.

Before the black spot, roses had an admirable fling in that extraordinary June where everything was running at least two weeks early. I have started to notice the qualities of some of the more delicate roses which were bred in the early 1950s and are now beginning to seem old-fashioned. I strongly recommend a quiet evening's research in Peter Beales' admirable reference book *Classic Roses*, in which he does proper justice to forgotten roses, bred in this era and kept in the trade by his nursery list, and often by no other.

Elsewhere, many climbers were magnificent, although they flowered absurdly early. For the first time, maturity showed me the full loveliness of climbing *Madame Paul Lede*. It flowers only once, but the huge double heads are a unique shade of dusky apricot pink, like the silk of a fine Edwardian dress.

My most lasting memory is not a rose nor, indeed, a flower of any kind: for 1992 was the Year of the Slug. In the wet weather, these non-human companions became fat, bloated and abominably slimy. They played hell with the hostas, but I am also pleased to be armed with an excellent modern antidote. Called *Growing Success*, it is pet-friendly, plant-friendly and slug-hostile. 'Slugs, I suppose, cannot help it, but they do have atrocious appetites. *Growing Success* removes them by the dozen, efficiently, cleanly and as victors can always afford to be magnanimous, I hope that the dozens who died in 1992 died, in their non-linguistic world, without any real pain.

Fantasy world of a rebel designer



One-of-a-kind: Tatsuno designs his garments individually, rather than as part of a collection

WHEN Koji Tatsuno was at school in Tokyo, he wore the same military uniform as every other Japanese schoolboy. From the outside, he looked like his classmates, but inside he had embroidered a red dragon on his jacket lining.

Tatsuno now has a broader canvas to draw on. The boy who customised his school uniform in 1970s Tokyo has become one of the most inventive fashion designers in

Europe today. Tatsuno treats fashion as fantasy. His clothes are extraordinary creations of fabulous fabrics, pleated silk jackets and waistcoats in Victorian-style tapestry, finished with shell buttons or tiny pearls.

This winter's collection oozes opulence with silks and velvets. For summer, he has used materials on hand - pieces of cloth left over in his studio, leaves from the garden, even strips of salmon skin.

The effect is exquisite and individualistic. The designs are not conceived as part of co-ordinated collections, but as particular pieces to be worn by different people. The cast list of his customers - from ascetic art collector Doris Satchi to entertainer Diana Ross - reflects this. But all his clients will wear, and re-wear, their Tatsuno for years.

"If something is made properly, it should age," he says. "I would hate to think of people buying my clothes to wear them for a year and to throw them away. Clothes have lives of their own. The shape of a

garment and the feel of the fabric change. Anything I make today should look completely different in five or six years time."

Tatsuno, 29, is a slight man with long, silky black hair, wearing not one, but two, polonecks and a chunky corduroy jacket against the chill of a drizzly London day. He has lived in London since 1982 when he arrived from Japan, with no money and no English. Born in a Tokyo suburb, his father was an air traffic controller and his mother left home when he was very young. His father remarried and he did not get on with his stepmother. At 14 he ran away to find for himself in Tokyo.

Education is everything in Japan. A high school drop-out is an illiterate outcast with little or no hope of finding work. Tatsuno scraped along until he was sent to London to buy English antiques for a Tokyo dealer. The dust and dirt disgusted him after the spruce streets of Japan. With little money, he made his own clothes from fabrics he found at antique markets.

His break came when a buyer from Browns, the designer store, stopped him on the street and asked about the shirt he was wearing. Tatsuno started selling to Browns, beginning his own business, Culture Shock, which enjoyed a cult following before collapsing in 1986 with cashflow problems.

A shop on Mount Street followed, backed by Yoji Yamamoto, the Tokyo designer. Finally, in 1990, Tatsuno opened his own label.

He now operates from a shambolic studio on All Saints Road, in the heart of Notting Hill. Tatsuno and his partner, Yvonne Sporre, do all the designs and fabric development with a team of five. He has no formal training and designs by instinct. "I try not to think too much about it beforehand" - draping his fabrics around mannequins.

The core of his collection is still couture, but he has also introduced ready-to-wear made by an Italian sub-contractor. Ready-to-wear is a watered-down version of the couture and is also far cheaper. Joseph in London sells his ready-to-wear jackets for £350 and the couture versions for £2,000.

He shows at the Paris *prêt-à-porter*, which has given him an entrée into the international marketplace. His clothes are sold by Barney's in New York

and L'Éclairer in Paris, where he also has his own shop in Saint Germain. But his business is still small by international standards, with £1m turnover this year.

Tatsuno plans to stay in London. "I am a private person, still very Japanese in some

Koji Tatsuno turns ordinary clothes into specialities, says Alice Rawsthorn

ways. I always keep part of myself hidden and it is easier to do that here. In Milan or Paris, I would be sucked into the fashion system."

So far the system has been good to him. Christian Lacroix and Azzedine Alaïa, the Paris designers, both encouraged him when he was launching his label.

Didier Grumbach, chairman of Thierry Mugler, has given financial advice. Grumbach's sister, Sylvia, now helps Tatsuno to organise his Paris shows, just as she has helped Vivienne Westwood.

Tatsuno finds affinity with traditional Japanese aesthetics. "There is a simplicity and sense of balance that is very close to my vision. As an outsider, I now see aspects of Japan that I did not appreciate before." He also shares the Japanese obsession for exploring the extraordinary side of ordinary objects.

"I try to recognise ordinary things that can be turned into something special." Just as a simple stone is treated as an object of beauty in a formal Zen garden, so Tatsuno makes a stunning silver tunic from 3,000 safety pins or sews strips of salmon skin on to his jackets.

■ Koji Tatsuno, 286 All Saints Road, London W11. Telephone: 071 221 7491.

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مكتبة من الكتب

FOOD AND DRINK

The empire cooks back

THE Ottoman Empire is being revived - in the kitchens of Istanbul. Old cookery books are being scoured in search of lost kebabs and forgotten pilafs. Restaurants are opening dedicated to the cuisine of the palace and the pashas rather than the food of the bazaar.

Even for the most jaded palate, Ottoman food is an adventure. Among its delights are sour dried plum, tripe soup with garlic vinegar and chicken pudding.

In a domed and arched courtyard beside the Süleymaniye Mosque, built by Süleyman the Magnificent in the 1550s, the Sultan established a soup-kitchen where the poor and the pious were fed at his expense. Last year a superb Ottoman restaurant, called Darüzziyade, opened in the courtyard and the adjacent walls.

Among the best dishes in the long and elaborate menu are red lentil soup (Süleymaniye Çorbası), artichokes stuffed with minced meat, a special köfte (minced meat) of lamb, chicken and pistachios wrapped in water-pastry (Yufka Darüzziyade köftesi) and asure, a Ramadan pudding made of nuts and fruit. Since the restaurant is still part of the Süleymaniye Mosque complex, alcohol is not served. Who needs wine, when sherbet of grapes, strawberries or the hips of wild roses are automatically brought to your table?

In a traditional part of Istanbul, south of the Golden Horn, the Darüzziyade has a faintly austere atmosphere: it is especially popular during Ramadan, with the congregation of the Süleymaniye mosque. The Tuğra restaurant, on the other hand, is in a different world: a 19th century sultan's palace on the banks of the Bosphorus, which has been transformed, in the last two years, into the Çırağan Palace Hotel, the most sumptuous in Istanbul. Vedat Başaran, the restaurant manager, trained in London, and

spent two years researching Ottoman food, teaching himself Ottoman script in order to read old cookery books. The son of a palace chef, Karamehmet Zengüloğlu, provided him with another link with the lost world of Ottoman food.

Ottoman cuisine, a mixture of Central Asian, Middle Eastern and Mediterranean influences, has always been sophisticated, some dishes requiring days of preparation.

In every self-respecting pasha's household two sets of vegetables were served at meals: cold vegetables in oil and hot vegetables cooked in butter. In the Tuğra restaurant, lavishly redecorated in the style called "Saudi Hollywood", the food is prepared with a devotion to detail worthy of the palace kitchens. Fish is grilled on wood cut

example, but they should try some Turkish wine. The Kavaklıdere company produces good products.

In spite of the grandeur of these two restaurants, and the excellent service, on some evenings, overwhelmed by crowds, the food can be bland. Just as enjoyable was the Asithane Restaurant, in a simple district of Istanbul beside the Byzantine splendour of the Kariye Camii. The chef Rasit Özdemir is from Bolu, a province famed for its cooks. His lava (broad bean paste) and Vismeli Ekmeği Tatlısı, bread soaked in sour cherry syrup - a distant Turkish cousin of summer pudding - were especially good. Pilaf or pilav is a specialty of Turkish cooking: the crack troops of the Ottoman army, the Janissaries, loved it so much that they used rice cauldrons on

to be served to Ottoman dignitaries. The deadening influence of nouvelle cuisine is apparent: a few mixed vegetables on the side of a plate often replace the traditional platefuls of the same vegetable. The iceberg lettuce has ousted local varieties. Some members of the Turkish Food Lovers' Association say that they are happiest in the simple restaurants behind the fish market in Beyoğlu.

The revival of Ottoman cuisine is part of the wider reappraisal of their position in the world, being undertaken by a minority among the new generation of educated Turks. They combine knowledge of the latest management techniques with a desire to rediscover traditions which they have lost since Kemal Atatürk replaced the Ottoman Empire with the Turkish Republic in 1923.

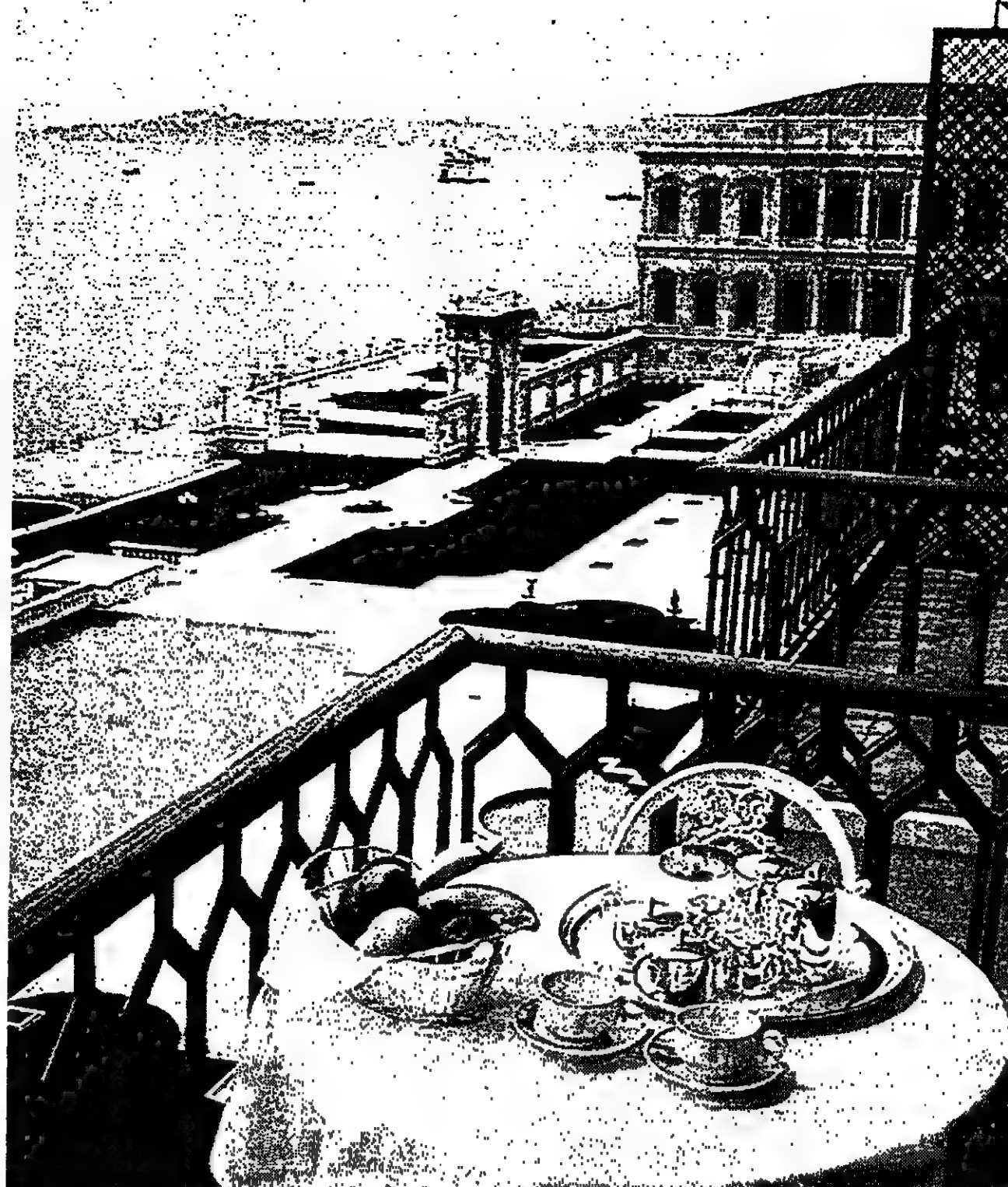
All three restaurants had musicians singing or playing soothing traditional Turkish music.

Since the Ottoman Empire was a multinational state, this new interest in the past is far from nationalistic. Dishes with Azeri, Albanian and even Greek names are on the menu.

Vedat Başaran, originally from Yugoslavia, says: "Ottoman was not only Turkish, it was part of a huge food culture." Older generations, brought up in veneration of the Atatürkist republic, are bewildered.

Information: Darüzziyade, Süleymaniye Cad. 8, 34440 Süleymaniye. Tel: 5118414. Fax: 5261891. About £20 a head. Tuğra Restaurant, Çırağan Palace Hotel Kempinski, Çırağan Caddesi 84, 80700 Istanbul. Tel: 2683377. Fax: 2596687. About £30 a head. Asithane Restaurant, Kariye Hotel, Kariye Camii Sokak, Edirnekapi. Tel: 5348414. About £10 a head.

Philip Mansel is author of *Sultans in Splendour: the Last Years of the Ottoman World* (Andre Deutsch 1988, £17.95). He is writing a history of Istanbul under the Ottoman sultans.



The Çırağan Palace Hotel: re-establishing the lost world of Ottoman food

Philip Mansel considers the revival of a cuisine fit for sultans

from a fresh bay tree, so that the heat blends the flavours. Quails are cooked inside giant aubergines, and lamb is grilled with peeled root of aubergine, in order to absorb the flavour of what Ottoman cooks considered the "king of vegetables".

Among the puddings Hünkâr mahalebi, milk pudding with wild strawberries and pistachios, is delicious. I hope the famous Ottoman pudding called tavuk göğsü, available in many local shops, will soon appear on the menu. Made of a chicken meat beaten to a smooth pulp and then cooked with milk, sugar and cinnamon, it was frequently served to foreign guests.

In the late 19th century the deposed Sultan Murat V was imprisoned in Çırağan Palace for 28 years, by his brother Sultan Abdulhamit II. The best French brandy and champagne helped console him for the loss of his throne and his freedom. Guests in the Tuğra restaurant can follow the Sultan's

regimental banners. In all three restaurants the pilaf was excellent and the Asithane restaurant served a variety new to me and my Turkish hosts: Kadirga Pilav (rice with almonds, pistachios and herbs served au gratin).

All three restaurants provide a reinterpretation, rather than a revival, of Ottoman cuisine. The energetic young manager of Darüzziyade, Alper Okutan, admits: "Sometimes you have to modernise something. You don't have the exact material."

Vedat Başaran is determined to introduce what he calls "a new concept of Ottoman cuisine", adapted to the demands of the modern restaurant, and the need for attractive presentation on the plate. He says: "We are trying to bring out the old recipes according to new methods." Instead of whole chickens, stuffed with pistachios, oriental rice and spinach, visitors to the Tuğra restaurant are served stuffed breast of chicken, which used

A storm in an Earl Grey teacup

Giles MacDonogh turns to the tea leaves for new year inspiration

EVEN in our democratic age the nobility has a way of selling things. It was not so long ago that a biscuit company engaged the services of a ducal pair to sell its products: "Mmmm, orangey," said her grace, as she nibbled away.

The use of noblemen and women in television advertisements panders to snobbery, but the attachment of aristocratic names to dishes has a more interesting history: partly based on the tradition of patronage and, in France at least, on a certain notion of gastronomy at the time of Louis XV.

It was rarely, if ever, noblemen themselves who were behind the dishes which bore their names. The Maréchal de Soubise never sullied her delicate hands with onions any more than the Duchesse de Mailly spent her time experimenting with baby-rabbit filets. These dishes were the inventions of cordons bleus. Their purpose was to tickle the palate of His Gourmand Majesty. Any female courtier who came up with something special might well be considered next in line for the royal bed.

As we all know, the British do not have sex. There is nothing in the least bit sexy about a sandwich, even if the noble earl of that name did lay down

the law as to how it should be made. Boeuf Wellington might have a more aphrodisiac effect, but the origins of the dish almost certainly predate the Iron Duke's time. When we come down to it, most people in Britain would rather have a cup of tea.

As it so happens, our most famous tea also bears a noble patent; that of the second Earl Grey. This particular Earl

in a lecture delivered to an invited audience at the Victoria & Albert Museum last autumn, Wild poured scorn on the many legends which have grown up surrounding the tea: there was no truth in the story of Grey even visiting China, let alone saving the life of a Mandarin who, in gratitude, taught him his recipe for tea with the oils of bitter oranges.

Rarely, if ever, were noblemen behind the dishes which bore their names

Grey was a busy man, a Whig grandee who introduced the Great Reform Bill in 1832 which began the process which ended with the democratisation of these islands. Did he then have the time to nip off to China in order to put together the blend of black teas and oil of bergamot which bears his name?

Tony Wild, of the East India Company, says definitely not. He and his research, Robert Baldwin, have been through the Grey papers at Durham University and found no evidence that the noble lord had anything to do with the Earl Grey blend.

Wild advances his own theory as to the origins of the blend. He traces the tea back to the circle of Sir Joseph Banks, the natural scientist, who edited the official account of the McCartney Mission to China in 1782.

The account contains a good deal of information on tea growing including the promiscuous planting of tea bushes and orange trees. Banks was also known to be passionate about tea.

One of Banks' friends was Sir George Staunton, whose father, another George, was part of the McCartney mission. Wild has uncovered some circum-

stantial evidence to show that Staunton might have dreamed up the famous blend, and has consequently marketed a new Earl Grey tea called "East India Company Staunton Earl Grey".

Rather more likely, however, is that Jackson of Piccadilly simply asked the famous reformist Earl Grey for permission to attach his name to their new creation. Grey was after all, something of a hero for the newly enfranchised middle classes: the tea was bound to sell.

Wild believes he may have caused a storm in a teacup by these revelations but the sixth Earl Grey seemed fairly apathetic when I spoke to him: "He's just trying to launch his new brand, and good luck to him," he said charitably.

The noble lord, who appends his signature to the Twinnings brand, admits that the second earl - to whom he refers quaintly as his "predecessor" - "never went to China" thereby refuting the version of the story written on the Twinnings' packet.

Lord Grey seemed most struck by Wild's claim that he was earning a fortune from Twinnings for "legitimising" the brand. As for the rest he simply was not going to rise to the bait: squabbles of this sort are simply *zoo infra dig*.

The art of a friendly welcome

THE FIRST restaurant I rang, where dinner would have cost £50 a head, did not seem concerned that it could not give me a table. There was no offer of an alternative time nor was my name and number taken in case of a cancellation. It showed little desire to welcome me.

The second restaurant could not have been more different - even though it was part of the same group, Forte. The receptionist explained the new menu, told me about its jazz trio and made me feel most welcome. Dinner was very reasonably priced.

Efficient but friendly receptionists are invaluable to any restaurant because first impressions are so crucial. Receptionists are also a restaurant's last line of defence. Any criticism of the food or service which the customer felt too intimidated to pass to the manager often comes out as the coats go on. A receptionist

worth her salt should be able to overhear and make some attempt at salvaging the situation.

Christmas and new year test a receptionist's talents to the full. Perhaps he or she will be grappling with 20 similar overcoats and black umbrellas from a group arriving for an office party. Maybe the receptionist will be propping up his or her eyelids until the early hours when the last guest leaves. Often a receptionist will be dealing with clients who are slightly the worse for drink.

But there will be financial compensations. Receptionists are paid a bread and butter rate by the restaurant, approximately £25 for a shift that may last from 5.30pm until 1.30 am. The cream is the tips. Until the Inland Revenue and the recession intervened, tips could amount to £40 to £50 in cash on a busy night. Today, the receptionist will invariably be last in the gratuities queue as customers curb spending and tips are pooled with the rest of the staff and taxed.

So what is the appeal of the job? For the answer I turned to Sian Cox, a woman who was the finest receptionist I employed in my previous career as a restaurateur. On paper, she was vastly overqualified - an attractive full-time schoolteacher and a mother of three. But she had the two basic qualities any



Sian Cox: a receptionist for one night a week and a full-time teacher

good receptionist needs - old-fashioned good manners and a genuine interest in the public. Sian Cox modestly described herself as "a people junkie".

Armed with Sian's qualities a good receptionist should be able to cope with the other demands of the job: to put themselves out, whatever the time; to be able to prioritise when dealing with the arrival and departure of guests; answering the incessant call of the telephone and handling irate taxi drivers who have

been given only a client's first name.

The final attraction of the job for Sian was that it gave her the opportunity for nights out in a completely different environment. Made-up and smartly dressed, she would leave her children with her husband and join a bustling, adult world which was a complete contrast to her day in the classroom. The receptionist's world may not be as intellectually stimulating as a teacher's but it can be more financially rewarding.

The most attractive bonus for any receptionist must, however, be that of Kurt Wachsveldt's, general manager of the Oriental, in Bangkok. Every New Year's Eve he opens its famous Bamboo Bar and closes when the last guest has left at about 6am. Then, armed with a large Bloody Mary, he heads off for a peaceful journey along the *klongs* (canals) of Bangkok. Sadly, this is a perk not available to even the finest restaurant receptionist in London.

Nicholas Lander

Cookery

Ginger up your new year cake

Philippa Davenport guards against bad luck

GINGER IS said to bring good luck. Will the eating of it early in 1993 lessen the chances of another *annus horribilis*. I wonder? In the hope that it will, I am planning to eat a good deal of it on Twelfth Night. This sheds new light on the notion of going gingerly into the new year.

The easiest way to guard against bad luck might simply be to crack open a porcelain jar of stem ginger in syrup and treat it like a fondue: give everyone a fork for spearing the nuggets and offer bowls of whipped cream or crème fraîche for dipping, and squares of best bitter chocolate (Black & Green's) to nibble on the side.

I also like the idea of making an Italianate ginger trifle - using panettone instead of sponge cake, Marsala as the booze, and a mixture of sliced stem ginger, segments of citron and well toasted hazelnuts under billowing layers of custard and cream.

Already a festive favourite in this household is a ginger cake made along lines traditional in Cumberland, Westmorland and Yorkshire.

In those areas celebratory dishes are often laced with such ingredients as rum, molasses and all manner of spices. These recipes are a link to the flourishing trade in times past with the West Indies and Far East, and they serve as a reminder that Whitehaven was once one of the most important ports in Britain.

Old cake recipes like the one which follows are often known as pepper cake, rather than ginger cake. This may be because freshly ground black peppercorns are sometimes included for extra aroma and heat.

It is more likely, I think, to stem from the more frequent inclusion of Jamaica pepper. This is the small brown berry native to Jamaica, a little larger than than a peppercorn and not actually a true pepper at all, better known today as allspice.

Its name derives from the fact that it is thought to have something in its aroma of cloves, cinnamon and nutmeg combined.

A cake like this will only taste as good as it should if allowed to mature for four or five days before baking and eating. So there is no time to lose. Make it today and serve it

on Twelfth Night for a lucky 1993.

Serve it for tea, sliced just as it is or spread with butter. Or, for a delicious pudding, top fingers of the cake with whipped cream or crème fraîche and serve them alongside a dish of Cox's Orange Pippins or Kidd's Orange Reds cut into crescent moon slices and fried in butter until glazed and sizzling hot.

Mix together in a separate small bowl some stem ginger chopped into small pieces and some sultanas or dates, 7 oz in all, say 4 oz ginger and 3 oz sultanas or dates. Sultanas add juicy sweetness. Dates, which should be stoned and chopped, give the cake a delicious fudgy quality.

Dice 4 oz butter into a saucepan. Drizzle over the fat 6 oz each strong dark honey, such as heather, and black treacle. (If preferred the 12 oz of sweetener can be made up of equal weights of unrefined brown sugar, honey and black treacle.)

Set the pan aside to cool the contents a little while you break 2 eggs into a cup and mix into them with a fork 2 tablespoons milk.

Then pour the warm butter and treacle mixture into the bowl of spiced flour, and beat with a wooden spoon until smooth and glossy, gradually adding in the beaten eggs.

Stir in the chopped ginger and sultanas or dates. Turn the mixture into the prepared tin and bake for about 70 minutes.

Cool on a rack and wrap tightly as soon as cold in fresh greaseproof paper and foil. Store for four days before eating.

YORKSHIRE PEPPER CAKE
Heat the oven to 325°F (170°C) gas mark 3. Butter a deep 8 in sq cake tin and line the base with buttered greaseproof paper.

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St Lucia: a violet in the Jalousie rainforest

Jalousie Plantation is the
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Michael Thompson-Noel reports

SIX snapshots from St Lucia:
First snap, 9.30am: I am sitting on the veranda of my cottage at Jalousie Plantation, listening to the birds, listening for the rain, and watching the rainforest stir and resettle. There are butterflies flickering. It is early December.

Jalousie Plantation is the latest word in luxury hideaway Caribbean resorts, so I am flicking through the PR bunt, comparing what it says with what I see around me. For once, the PR hooligans and haridians have met their match. They cannot be gainsayed. In the calm of this beautiful morning their superlatives seem just-sized in comparison with the scene laid before me.

According to the bunt: "Situating on 320 acres of a former sugar and copra plantation, in its own private estate set against the waters of the Caribbean Sea, Jalousie Plantation is a site spectacular, even for the Caribbean."

"Framed between the symbols of St Lucia, the Petit Piton and Gros Piton mountains, which rise 2,619ft and 2,461ft respectively, the creators of this new resort have painstakingly disguised it to blend in

with Mother Nature." That is all extremely true. To my left and right are Gros and Petit Piton - dramatic volcanic upthrustings, arrowhead-shaped. When it rains, the pitons shed instant cataracts, like a young bride's tears. Yesterday, a woman was injured while climbing the Petit Piton. She should not have been on it. Illegally, guides take tourists up for about \$20. The woman had to be rescued: soldiers, a helicopter, really quite a flap.

The sea is in front of me, lapping the beach at Jalousie Cove where some fishermen are located. This is an all-inclusive resort. One price covers everything: accommodation, meals, drinks, sports, spas, supervision of children, airport transfers, taxes and service charges. Apparently, I can ask one of those fishermen for the catch of the day and have it charcoal-grilled at the Bayside Bar and Grill, one of the resort's four restaurants, before my very eyes.

Behind me is a dense rainforest ridge from which the plantation and its tropical flora cascade to the cove. Part of the estate is regarded as a bird sanctuary, to help attract the green Jacquot parrot, St Lucia's national bird, which is said to be endangered, no



'Behind me is a dense rainforest ridge from which the plantation and its tropical flora cascade to the cove'

doubt due to foolishness. Jalousie's efforts at plant and bird-life conservation have won the approval of Dr Josephine Rickards, chairman of the St Lucia Naturalists' Society.

The rain has not come. I bin the PR bunt. Shall I swim in my private plunge-pool or go in search of the elephant?

Second snap, 9.30pm. I am having dinner with Colin Tennant - Lord Glenconner - who is an investor in Jalousie, and Robert Stewart, general manager. Some of the antiques in Jalousie's Great House have come from Glenconner's homes in Mustique, Scotland and England. He lives in a house high above the cove, at the foot of Gros Piton. The house is a murder to get to though the view is sensational. Glenconner is a scrupulously courteous man, and inexhaustibly knowledgeable about the Windward Islands and their ways. He has lived in St Lucia since 1976.

Between courses, I tell him about my theory that travel writing should be judged not on what it includes but on what it leaves out.

"Such as?"

"Well, wedges of historical stuff chucked in as padding." "I see. Much of it is wrong, you know. Someone gets the history wrong and then it is repeated, handed on down. I feel sorry for tourists, you know. They don't see very much. All they see is an extremely small part of things - not how people live, how they really are."

"And inaccuracies abound. For example, all the guides and guidebooks say St Lucia has a 'drive-in volcano', but it is neither volcano nor drive-in. If you ask me, the volcano was out here" - he gestures towards Jalousie cove - "between the pitons. What the tourists are shown are merely sulphur springs associated with volcanic activity. I could be wrong, however."

"How about that parrot? Is it really endangered?"

"I don't believe it is. Someone I know sees one nearly every day."

"And how about your elephant?" Is she generally around?"

"Ab, Bupa the elephant. She's in the bush right now, but certainly she's about. A very good elephant. She would answer my call from anywhere on the plantation." Bupa is a 16-year-old African elephant that Glenconner purchased in Dublin and shipped to St Lucia. "She's very kind at heart, and very fond of pigs. She doesn't sleep at night. Do you know what she does? She cracks open coconuts and puts them in a line for when the pigs wake up."

Third snap, 10am the next day. I am pottering round the volcanic springs, south of Soufriere: about an acre, grey and brown mudpools, a gentle hissing of steam. Really rather tedious. An eruption is not predicted. After that I drive into Soufriere, which is tatty and poor, but not without charm, and demonstrates the extreme vulnerability of many old Caribbean towns to storms and hurricanes. Some of Soufriere's shanties could be demolished with a cough. The people are nice, though: as slim as sticks of sugar cane, and not at all husky.

Fourth snap, 12.45pm. I am riding with Glenconner, head-

ing for his house along a track of unbelievable ruggedness. He chatters on cheerfully. "The mangoes here are very fine, you know. I believe there must be 20 to 30 species, though it is almost impossible to find anything about them in books. Do you see that one? That is mango moris. I tried it once. Its taste is said to be reminiscent of human flesh. Rather a fine

Sixth snap, 5.50pm. The sun, an orb of palest gold, is propped on the horizon, about to disappear. The sea is a pewter colour. An hour ago I scrambled through the bush in search of Bupa the elephant. An extremely kind elephant. A lover of bananas. Remarkably long eyelashes. No sign of her pigs. It has been a perfect day. I

horizon which he guesses is Martinique, a crewman approaches him and asks: "Checking de island? That Matnick?"

"Yeah, Martinique. Day is French." The crewman rests his elbows alongside Shukman's. "I don't like Martinique," he says.

"Why not?" asks Shukman.

\$375 per person per night per couple. Children under 18 are free if staying with parents. Children 19-15: add \$70 per night per child.

Jalousie is managed by Premier Resorts & Hotels of Miami, reservations (US and Canada): (800)-877-3645; all other countries: (305)-856-5405. In the UK, Premier's agent is Supereps, tel: 071-242-9964. The resort is also listed with various UK tour operators, including Caribbean Connection, Elite Vacations, Harlequin Holidays and Happiness Islands. Jalousie Plantation's address: PO Box 251, Soufriere, St Lucia, West Indies, tel: (869)-459-7666.

Jalousie is an hour by road or boat from Hewanorra airport, apart from BA, Hewanorra is served by Air Canada, American Airlines, BWIA and LIAT. There is a smaller airport, Vigie, at the other end of the island, near the capital, Castries. The temperature on St Lucia is said to vary only between 77°F-82°F year-round. Travels With My Trombone, by Henry Shukman: HarperCollins, £14.99.

'I am sitting in the best spot in the best location of what many people regard - scenerywise, peoplewise and otherwise - as the Caribbean's most attractive island'

Fifth snap, 4pm. I am back at Jalousie, sitting near the beach, pondering the state of marriage, of which I have no experience. Was it diffidence, I wonder, that stopped me getting married, or am I one of Nature's swimmers, born to be single? What is prompting these musings is the press of honeymooning flesh parked by the swimming pool: bronzed pees and breasts basted and sunbathing.

Perhaps, it occurs to me, a marriage inaugurated and consummated at Jalousie would not die with a whimper. I snatch up a description of Jalousie's rates and packages. The Jalousie wedding, it says, is something never to be forgotten.

It says that couples that get hitched at Jalousie would receive, at no extra charge, "upgraded accommodations (depending on availability), a wedding ceremony (with surcharge for the attendance of officials, the rate depending on denomination), bouquet, dress (an extravagant wedding gown, created in St Lucia, is available, free of charge), decorated wedding site, cake (three-tier), cocktail reception with hors d'oeuvres, gala dinner and a bottle of French champagne. Other services available for a surcharge include: professional photographer, video services and special dance band."

The Jalousie honeymoon also sounds auspicious: "At the dawn of each day, the couple can request a special breakfast in the privacy of their own patio by the plunge-pool. A candid dinner for two on the night of their choice also awaits, as does a private day on a deserted beach with an exotic picnic lunch... Each night, as the sun sets into the Caribbean, a personalised Good Night Treat will be in the room." Again, there is no extra charge for the "honeymoon programme."

I wander up to the reception desk. I am more than half tempted to ask to view the indigenous wedding gown, to see if it would fit anyone I know. But my courage evaporates; diffidence reasserts itself. They would think me frivolous, my inquiry half-baked. I shrink away silently, a violet in the rainforest.

realise that I am sitting in the best spot in the best location of what many people regard - scenerywise, peoplewise and otherwise - as the Caribbean's most attractive island. I am reading *Travels With My Trombone: A Caribbean Journey*, by Henry Shukman. Henry Shukman, who tells of travelling by cement boat from Dominica to Trinidad. As they pass an ink stain above the

"De people is very stick to daysest." "Which island do you like?" "Saint Lucy," replies the crewman. "Saint Lucy sweet, man."

Michael Thompson-Noel was a guest of Jalousie Plantation, and travelled c/o British Airways. Until April 11, rates at Jalousie vary from \$340-\$460 per person per night in a double suite or cottage, after that: \$215-

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SPORT/SKIING

Year of the Olympic joke and Essex man

Peter Berlin reviews the cheats, the cynics and the sporting heroes of 1992

THE SPORTING year was dominated by Juan Antonio Samaranch's little joke. In 1992 he took the Olympics to his home town, Barcelona, in the high summer weeks known locally as the *canicula* - the dog days. These are the hottest and most humid time of the year. In 1992 they were hotter and more humid than normal, the worst weather for athletes, the vast bulk staying in the unairconditioned Olympic village. It was merely uncomfortable for everyone else.

Yet everybody left praising the event. This was largely because of the hosts' efforts. They missed no detail and spared no expense. But the crowning moment of Samaranch's Olympic presidency has left his home city, his home region and his home country with debts no-one can yet bring themselves to count.

The run up to the Olympics was dominated by unpleasantness away from the track about politics, drugs and money. Most worrying were the drug scandals involving sprinters Katrina Krabbe of Germany and Butch Reynolds of the US and attendant litigation.

Yet in Barcelona all these nasty odours evaporated. The biggest drugs bust of the Games, three Britons caught by testing at home before the games, was largely ignored by the world's press. The only way

to catch steroid users is with expensive and sophisticated out-of-competition testing. This is beyond the means of most developing nations and beyond the will of some of the richer ones, notably the US.

Without doubt medals at Barcelona were won by drug cheats. The choice lay between suspecting everyone and giving competitors the benefit of the doubt. Trust won the day.

The atmosphere at the games was improved by the hosts' astonished pleasure at their own success. Spain had won four gold medals in all the previous summer Olympics. In Barcelona it won 13. One of the most memorable was Fernán Cacho's charge through the field in the 1,500m gold accompanied by the swelling roar of the 70,000 Montjuich crowd.

The fans in Spain were not simply partisan. They roared every jump by US athletes Mike Powell and Carl Lewis in the long jump final. Lewis won by 3cm. Sergey Bubka's fall from the pole vault firmament was greeted with embarrassed murmuring as the spectators politely pretended they were watching something else.

Parakeva Patoulidou surged across the line in a tumble of bodies in the women's 100m hurdles final and then did a slow, delicious double-take as the replay showed that she had won. It was the first ever athletics gold by a Greek woman. Before 1992 white South Africans had claimed all three athletics medals won by African women. Now there were golds for Hassiba Boulmerka of Algeria in the 800m and Deratu Tulu of Ethiopia, who beat Elana Meyer of South Africa in an emotional 10,000m, and bronze for the Nigerians in the 100m relay.

Quincy Watts and Kevin Young of the US, floated round the track as if borne by angels as they broke records and won golds in the 400m and 400m hurdles respectively.

Some were memorable in defeat: Derek Redmond of Great Britain limping round the track on a torn hamstring, in the 400m heats. Brave 29-year-old Johnny Gray of the US, went for his last Olympic place only to be caught at the last by William Tami and Nixon Kiprotich at the end of an exhilarating 800m final. The warmth and generosity of his post-race press conference provided a welcome vital sign for the Olympic ideal.

Britain's two triumphs on the track were achieved in overpowering style. Lin-



Taking off with a roar: Lewis flew to Olympic gold

ford Christie ran away from the field in the men's 100m and Sally Gunnell did the same in the women's 400m hurdles.

Away from Montjuich, the games were dominated by the Dream Team, a group of US professional basketball stars who were there for all the wrong reasons, welcomed in the hope that some of the fame and wealth might rub off on their rivals. Maybe it will. The Dreams worked as hard at PR as they did on the court, won the gold at a stroll and allowed two of the games great stars, Earvin Magic Johnson and Larry Bird, to take final bows of their careers on the world's largest stage.

The British discovered cycling when Chris Boardman ripped to the 4,000m pursuit gold medal on his high-tech Lotus bicycle. The cycle was largely the work of Rudy Thomann, a French engineer, never mind, it still revived Britain's dimming faith in its technological wizardry.

Technological superiority lay behind Nigel Mansell's Formula 1 world championship. If Mansell had been with any other team his Williams car, which possesses far more charisma than him, would probably

have won anyway. Mansell felt unappreciated and plans to race in the US. Frank Williams, the team proprietor, sent him on his way with the words: "He thinks he is a superstar. In fact, he is just a lot richer and a bit quicker than he was four years ago when he joined us."

Mansell was one of a trio of dour, awkward, men who dominated British sport in 1992. The second rather let his mask slip. Nick Faldo burst into tears after winning his fifth major, the Open at Muirfield. "I'm just an emotional little petal," he said.

The spiritual leader of this threesome is Graham Gooch, patron saint of Essex men. Gooch led his county to the championship, again, took England to the World Cup final. Gooch resisted stubbornly against Pakistan's pace pair of Wasim Younis and Wazim Akram in the tests. But England lost a thrilling series. Afterwards, Gooch dropped David Gower, hero of the last test and embodiment of the English sporting ideal of diffident public school boy, from the party to India. His place is taken by the archetypal pugacious state school lad: Mike Gatting.

Gooch knows when to grind and when to unfurl his undoubted flair. The same could not always be said of England's other two national teams - although both showed signs of a developing sense of adventure. England's rugby union team added a little flair to the physical grind on their way to another five nations championship and then dispatched South Africa on their return to Twickenham.

Meanwhile, Australia beat everyone in the southern hemisphere before popping over to Ireland and Wales for yet another triumphant tour, entertaining themselves with a little sniping at England. They were popular tourists with everyone except Will Carling, the England captain, and Neath rugby club, whose allegedly below-the-belt tactics led Wallaby coach Bob Dwyer to dub it "the bag-snatching capital of Wales."

England's increasingly neurotic soccer team trudged to the European championships where it was the dullest and dourst of a collection of dull and dour teams. The only sunshine came from Scotland, who had the courage to play expansive soccer but lacked the nerve to score goals.

The final was a fairy tale of sorts. The Danes late replacements for Yugoslavia, beat Germany, the world champions in a style more Brothers Grimm than Hans Christian Andersen. The Germans tried to win with organisation and work rate, which the Danes had by the bucket load, rather than imagination and flair. Interestingly, the crucial goal was scored by Danish midfielder John Jensen.

The grand old ladies of soccer, the English Football Association, fooled by blandishments from 22 soccer chairmen, dropped its petticoats. The unwelcome off-spring was the new Premier League, child of greed. However, if Norwich City, Blackburn Rovers or Ipswich Town break the long rule of the wealthy big city teams and win the inaugural title, the whole sordid affair will have had one good result.

The only beacon of hope in the European soccer year has been the Italian league. AC Milan demonstrate that you can win playing stylishly and Paul Gascoigne, who raises the England team above the cynically mundane, is treated with more care than he could expect in his overworked home league. With any luck the Italians will buy the Welsh teenage prodigy Ryan Giggs before he is destroyed by too much overly-physical English



Essex man: Gooch made England in his image

soccer. As the year ended the drug scandals re-emerged. In Reynolds' dispute with

Primo Nebiolo, Nabob of the International Amateur (sic) Athletic Federation, an Ohio court awarded the runner \$27.3m. Nebiolo refused to contest the case, arguing that civil courts have no right to rule on its drug suspensions. He has a point. There are many nations in which the courts could not be relied on to find against national sporting heroes, regardless of the merits of the case. But the Ohio court did not object to the principle that the IAAF should ban athletes, it objected to the high-handed way Nebiolo had dealt with the case. If 1992 has demonstrated one thing it is that a spot of purse snatching concentrates administrators' minds. If the US court forces the IAAF's corporate sponsors to hand over the \$27.3m, the year's last laugh will be against Samaranch's most powerful courtier, the unappetising Nebiolo.



Delfinista petal: Nick Faldo, Open champion again

THE 23-year-old American, Jim Courier, narrowly, and the remarkable 18-year-old Monica Seles outstandingly, were the best players of 1992. They head my annual rankings which have been unusually difficult to compile, particularly for the men.

A year ago Stefan Edberg was the best male performer and his tie-in with Courier for the No. 1 ranking on the ATP tour computer has been one of the features of the year. The computer, though, does not tell the whole story. Only a player's best 14 results are taken into account. Furthermore, there is too small a differential between the four Grand Slam Championships and the other events. Nor does it include the Olympic Games - a serious omission. Judgement must be brought to bear on the worth of each particular performance, depending on the stature of the tournament and strength of the field.

Courier's two Grand Slam successes in Australia and France were not matched by anyone else, and his dominance during the early part of the year - when he won three other titles - kept him ahead of Edberg. But the Swede had a fine year. He retained his US Open crown with an amazing performance of physical and mental resilience, was a finalist at the Australian Open and won two other titles.

Andre Agassi's dramatic victory at Wimbledon, his first Grand Slam success, was the season's outstanding performance. Taken with his wins in Atlanta and Toronto, plus his contribution to the winning Davis Cup effort by the US, put him

in third place.

It was difficult to separate Goran Ivanisevic, a left-handed Croatian who served 1,066 aces during the year, and the powerful American Pete Sampras, another 30-year-old. Ivanisevic was a finalist at Wimbledon. Sampras at the US Open - both reached the semi-finals at the two season-ending extravaganzas, the ATP Tour Championships and the Compaq Grand Slam Cup. Sampras reached the last four at Wimbledon but Ivanisevic did the same at the Olympics where Sampras only reached the third round.

Boris Becker won five tournaments and although he failed at the Olympic Games, his late-season

Tennis/John Barrett

Seles tightens grip on women's ranks

charge at the ATP Tour Championship in Frankfurt was of such quality that I place the 25-year-old German ahead of the Olympic champion Marc Rosset.

He crushed Ferreira; he annihilated Courier, supposedly the world's best clay court player, he beat Emilio Sanchez in his home town before ending the brave run of an exhausted Ivanisevic. In the final Rosset fought back to beat the local hero Jordi Arrese in five sets. Michael Chang won three early tournaments and, after failing to impress in three Grand Slams and the Olympics, produced some remarkable tennis to surge to the semi-finals of the US Open. There

he pushed Edberg to the limits in one of the year's best matches.

In the women's game it was Monica Seles first, the rest nowhere. She won 10 tournaments and in the year's great events was defeated only at Wimbledon. There it was as much the grunting issue as Steffi Graf's superb play that led to her defeat. It is hard to believe that this remarkably mature double-hander is still 18.

Graf, also the finalist in Paris, was a clear second. Her defeat in the Olympic final at the hands of Jennifer Capriati was a terrible blow to her confidence and may have contributed to a dismal end to the year. She fell to Sanchez-Vic-

rio in the quarters at the US Open and to Lori McNeil in the first round of the Virginia Slims.

Sanchez was a worthy third by virtue of her insatiable appetite for work (she played a record 187 matches in 1992) and her consistency. Arantxa won two tournaments and was the finalist at the US Open. She reached the last four at the Australian and French Opens. She beat Graf at the US Open. Her victory over Seles was at the minor Canadian Open.

The Olympic win by Jennifer Capriati over Graf, plus her defeat of Seles in the quarter-finals of the Lipton in March, lifted the 16-year-old to fourth. It was the manner of

those wins that was so impressive - a fearless search for the lines with raking drives, plus the odd excursion to the net behind some intelligent serving.

Gabriela Sabatini had a disappointing year with three semi-finals the sum of her Grand Prix efforts. The prospect of her building on her 1990 US Open win seems more and more unlikely as the peak of younger players closes in.

JOHN BARRETT'S WORLD RANKINGS FOR 1992

(last year in brackets)
MEN: 1 Courier (2), 2 Edberg (1), 3 Agassi (7), 4 Ivanisevic (1), 5 Sampras (3), 6 Becker (3), 7 Rosset (7), 8 Chang (4), 9 Petr Korda (1), 10 - Ivan Lendl (6) & Wayne Ferreira (1).
WOMEN: 1 Seles (1), 2 Graf (2), 3 Vicario (5), 4 Capriati (7), 5 Sabatini (3), 6 Mary Joe Fernandez (8), 7 Manuela Maleeva-Fragniere (10), 8 Martina Navratilova (4), 9 Conchita Martinez (9), 10 Natalia Zvereva (1)

Skiing/Arnold Wilson

Hidden menace of summer meadows

JUST BEFORE the snows came in Switzerland's picturesque Grisons region, the farmers of Davos and Klosters brought their herds of cattle down from the Alpine pastures in a ceremony known locally as *die Schotegernutter begraben* - "burying the mother-in-law". The mother-in-law, in this slightly uncomfortable analogy, is the symbol of the barren and empty alps.

The arrival of snow changes the whole personality of a ski resort. Most skiers rarely worry about what lies beneath the snow they are skiing on. But it is often useful for high-mountain guides to "walk" off-slope terrain during the summer or early autumn months to complement the understanding of snow conditions, depths and hidden hazards they may encounter with skiers during the winter. It is especially useful in glacier regions to gauge the extent and drift of crevasses.

Seeing a ski resort without snow can be a fascinating experience. The universally-fearful Streiff run on Kitzbühel's Hahnenkamm looks almost idyllic without the layer of sheet-ice deliberately engineered to prevent racers breaking through and catching a potentially disastrous edge. Zermatt's steep

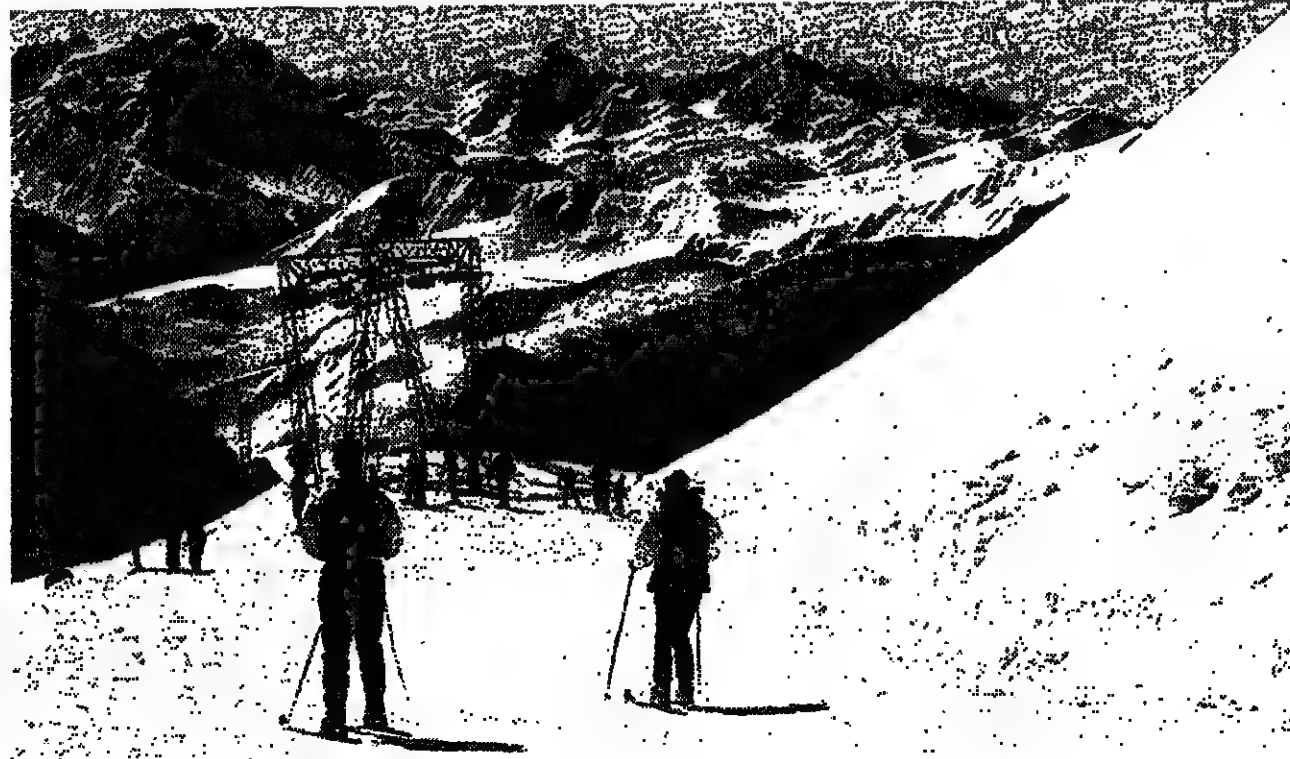
slopes are awash with colour as wild flowers delight the eye and scent the breeze.

Like a steep-sided meadow, the dreaded Gotschnaweg area in Klosters - where five years ago an avalanche killed Major Hugh Lindsay and came close to engulfing his friend, the Prince of Wales - looked extraordinarily bland and innocent as the late afternoon sun lingered lazily on its leafy banks. It is dangerous because it is prone to avalanche rather than because it is technically difficult.

We walked up and over the great Grisons alps between Davos and Arosa, a tour undertaken over a century ago by Sir Arthur Conan Doyle, the first Briton to accomplish this route on skis. His wife was being treated for tuberculosis at a clinic in Davos, a town that acquired a name as a centre where TB sufferers could convalesce.

In Conan Doyle's day, Davos was just beginning to earn its reputation as one of Europe's classic winter sports regions, a natural progression from its earlier fame as a health resort.

The walk is long and arduous but the scenery, wild flowers and plants are sufficiently stirring to compensate. Occasionally we glimpsed giant ski lift pylons in the distance



which seemed out of place without snow on the ground.

Conan Doyle made light of his epic tour in an article he wrote for *Strand Magazine* 100 years ago. "You adjust your body for a rapid slide", he

wrote, "but your 'ski' stick motionless and over you go upon your face. Or you stop for an instant to tell a fellow how well you are getting on and they suddenly find that their congratulations are

addressed to the soles of your 'ski' tied tightly round your neck!"

His ski tour de force was only one of many "firsts" at Europe's highest town (5,118ft) and Switzerland's largest ski

resort. The first English ski club was formed here in 1903 and the world's first tow bar was built by a young German engineer, Gerhard Mueller, with the help of some old motor cycle parts.

In 1931, the first funicular railway specifically for skiers was installed up to the Weissfluhjoch and three years later, Erich Constant installed the world's first "proper" drag lift. Some of Europe's first recreational skis were tried out here, too.

A pair found their way to Davos from Norway and the village carpenter set out to try to make duplicates.

Some of the local youths tried them out and struggled manfully to control them, in spite of their vast length and lack of edges.

Although it is famous principally for its Parsenn mountain (sking up to 9,300 ft), the long run down to Kublis and beyond (14 km) and the exhilarating Derby run down to Kublis or Klosters, Davos has a wealth of skiing spread in almost all directions. There are five main ski areas - Parsenn, Jakobshorn, Ebneshorn, Schatzalp/Streppass and Pischas, with almost 90 runs between them totalling 320 kilometres of pistes.

The Madrisa side of Klosters provides gentler skiing and an opportunity to make moderately easy tours into Austria's Silvretta region.

The Parsenn/Weissfluh slopes provide the heart of the Davos skiing, linking with

Strela above Davos Platz and the Gotschna area above Klosters. There are long, picturesque and not particularly difficult runs fanning out in almost all directions.

Some of the north-facing runs down to Klosters are testing, particularly Drostobel. And, of course, there is always the Wang. If it is open, ski it. If it is closed, stay well away.

As for the tour to Arosa, it is doubtless easier, cheaper and safer in summer than winter. After all, climbing on skins is much more difficult than bounding up in decent walking boots.

■ Arnold Wilson travelled up and down the mountains between Davos and Arosa on skis in winter and on foot in summer as a guest of the Swiss Travel Service. Bridge House, Ware, Hertfordshire SG12 9DE. Telephone: 0920-463971.

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PROPERTY

US development with a Scottish accent

Audrey Powell reports on a group of holiday properties near Florida's Vero Beach that is attracting the attention of British investors

AN ENCLAVE of 46 properties is being built above Vero Beach on the north east Florida coast - and the accents are more likely to be Scottish than American. For this is St Andrews Village, 12 acres of land between the coast and the inland waterway. The site was found by Len Sculthorpe who, with his son Brian, is a partner in Edinburgh-based St Andrews Properties, which is developing the village.

The Sculthorpe family plans to keep a corner for its own holiday home and build houses and apartments for sale on the rest of the land.

The first properties are just coming on the market and have been attracting the attention of Scots, although all buyers are welcome.

Both Sculthorpes are chartered accountants - the son has also become a qualified real estate agent in Florida.

Until now the company has been converting and renting holiday properties in three complexes of farm buildings in Scotland.

Drawing on this experience, it is developing its first overseas project and the first in which it will sell the holiday homes.

The family's group of companies in Scotland, which includes a travel agency and a selling and rental agency, is able to assist buyers. The site, in Brevard county, is 90 minutes' drive from Orlando's international airport and has an attractive range of entertainment attractions, headed by Disney World.

Vero Beach does not have an obvious tourist image. It is a water-side district of expensive homes screened from broad grass-veged roads by banks of shrubs and palms.

Residents, in appropriate transport, cruise along the 55-mile limit roads or the waterways running parallel with the coast. You rarely see anyone walking.

There are boutiques, hypermarkets and the Windsor polo club. The development company claims a year-round season, with European visitors in summer and north American visitors avoiding the harsh weather in winter.

The village is to have a choice of property types.

There will be a row of garden homes - pairs of single storey three-bedroom, two-bathroom houses, with multi-level roofs. They are designed so that each pair looks



One of the semi-detached homes in St Andrews Village, Florida

like a single detached house. Front doors are on different sides, so that no property overlooks the other's entrance.

With construction going ahead, they are now being offered on the market. They have large living rooms with vaulted ceilings, sizeable kitchens behind breakfast bars. Florida's favourite room, the

gazebo-walled lanai, that keeps off insects and the strongest of the sun's rays, forms an extension of

living areas. There are integral garages.

Later, across the winding road running through the estate, there will be two-storey detached family houses.

But before that the Carriage homes will be available.

These are also an ingenious design by the Evans Group, an architectural practice whose ability to create interest through variations in ceiling heights and

roof shapes has become a trademark.

These properties are two, two-storey pitched-roof blocks, each with eight apartments.

They have two or three bedrooms and two bathrooms, living room and lanai. Each has its own separate entrance and garage within the block.

Each apartment looks on to the Indian river waterway, getting the full benefit of sunsets.

In keeping with today's environment consciousness, the company uses aluminium studs in the construction, which it says saves timber.

Some of the area available for development includes land used as a breeding ground by sea turtles. That part of the cabbage-palm and scrub-oak covered land is being left untouched.

The estate will have a lake, communal swimming pool, boat

dock and fishing pier. An adjoining larger development has a tennis club that St Andrews residents can join.

There are golf courses within easy reach. The estate will be gated and have on-site management.

St Andrews Properties will handle renting for owners if this is required. Property prices range from about £75,000 to £100,000, depending on the exchange rate. Related expenses will average about

£300 a month.

Foreigners cannot normally spend more than six months of a year in the US.

The company suggests that this rule, where it applies to the retired, may be eased in four or five years, but other people are not quite as optimistic.

Assuming a buyer took a 70 per cent mortgage, which should be possible, and allowing for costs including a furniture package, total funds required initially could be from £32,000, according to the company's estimates.

It suggests other financing options, including shared or company ownership.

St Andrews Properties is prepared to market rentals through its connections in Florida, Canada and estimates owners could break-even on finance and property costs from about 50 per cent rental occupancy. Further information from St Andrews Village, Florida, tel 407 952 5298, or in the UK from St Andrews Properties, Edinburgh, 031-552-0666.

A large choice of developments are offered as holiday home-cum-investment deals in Florida and there is a lot you should know before you buy. Some areas have restrictions on short-term letting - although not Brevard county - and the competition is intense.

Lindsay Cameron, director of the trade and investment division of Florida Department of Commerce, in London, says Florida is not quite as aggressive as California in that respect.

But people who take a Florida holiday and decide they want to buy and let, should not rush into anything.

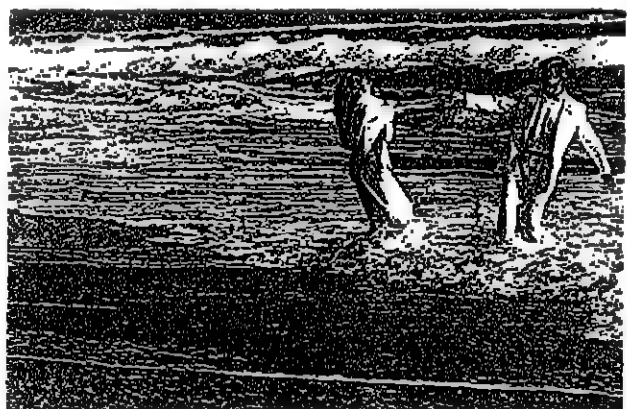
Certainly they should not plan to build themselves, without information about the zoning and planning laws.

These aspects are becoming a lot tougher, says Cameron. It could prove very costly and time-consuming putting right a wrong choice.

Too many people in holiday mood do not do the sort of checking they would if buying a property at home. Talk to knowledgeable people in the district, before you make a decision, advises Cameron.

There are local chambers of commerce in all areas. They will recommend a responsible broker, or property lawyer, to guide you.

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BOOKS

When Puccini threw away his zucchini

Anthony Curtis gives his verdict on the Christmas literary competitions

CLERIHEW-composing can easily become an addictive occupation, as many competitors confessed. "Once one has started," said Christopher Mylne, "it is difficult to stop thinking up silly rhymes to fit - though I admit to being defeated by Tchaikovsky."

The task, you will recall, was to make up new clerihews about composers and musicians. Mr C. Thwaites reminded me of "an oldie but goodie" - Jules Massenet! Never wrote (A Mass) in A. And Mary Holthy remembered from childhood another vintage item - Palestrina! Wrote a concerto for the concertina! Which Monteverdi! Orchestrated for the hurdy-gurdy.

No one thought of including any of my music critic friends on the lines of this one, e.1930: "Next week," said Ernest Newman, "it will be Schumann!" But when next week came it was Wagner just the same.

I had to stop counting the number of times composers such as Henry Wood or André Previn or George Soli (another difficult rhyme) sat on the toilet; or the occasions when Maria Callas sang in Dallas; or when some poor composer could not hold a candle to Handel. Pavarotti was frequently grossed, and quite often doty, and there were unkind observations as to the size of his body. Nigel Kennedy was more often than not discovered playing a threnody with the aggressive termination from Freda Smithson of an over-ripe tomato interrupting his piazetta.

Johann Sebastian Bach always got up with the lark (Dian Shervinton), or if not, he sat in the dark (W. Roll) but that - as more than one entry pointed out - did not curtail his pre-creative prowess. In contrast, Mahler sat in the parlour (E. Gifford) whereas Bizet sat on a toilet (Garbis Haddad). Scriabin made an awful din (Graham Green), Souza was a bit of a boozier (Andrew Stark) and Liszt was frequently hissed (B. Miller) and often, of course, kissed, and on at least one occasion pissed (Randall Boyle).

No cookie was shrewder, rhymed Eve Turner neatly, than Buzshtude. Sir Arnold Bax. Had up FAX (Brian Capon) they had not been invented; Placido Domingo, was said by Henry Moxon, to be always lucky at bingo, but, added Anthony Brown, of that game Kiri is weary. Hugo Wolf played golf (Peter J. Andrews), Rumpelstiltskin had run to drink (Robin Fuller) and Schumann was only human (Bernard McGinley).

Over fondness for pasta seemed to be the main affliction of Italian musicians. Donizetti was addicted to spaghetti (O.V.S. Heath), Boccherini to fettuccini and tortellini (James Robertson) and Stefan Grappelli to tagliatelli (Steven Berry). Puccini, however, suffered from baby marrows and threw away his zucchini (Simon Hubbard-Ford).

Duke Ellington's penchant was somewhat implausibly for wellingtons (Catherine Presswood), but Shirley Bossey had, more realistically, an eloquent chassis (Sylvia Trump) and one that is classy (Eric Pearce).

Several people had James Cahoon either leaving or not leaving his flute in the hallway. D. Rhys-Williams envisaged Neil Kinnock in a dispute over Early Music with Trevor Pinnock. And Isabel Badille! Raised high notes gaily (W.L.D. Scott).

It was Peter Read who, when he switched on the Beeb, ingeniously listened to the strains of Delibes. George Formby, we are assured by John Adams, once passed through the village of Quarmby.

No one found a convincing rhyme for *Kanone*. Nor for *Romeau*, who was leamedly celebrated by William and Jo Godfree (though this year is not, as they seemed to think, the 300th anniversary of his birth in 1683). Brahms appeared to be a favourite with the *Thane of Glamis* and also to have quailms! When Joachim offered to have a go at him (Sir Toby Weaver).

Monica G. Ribon voiced a universal dilemma when she asked *Does Turandot* rhyme with "forget"? Or is it *Turandot*? As in "I don't know? Chopin was haptic" (touch) to play with one hand on George Sand (Katie Mallett) and *Tristan told Isoldé* ("David Hussey"). Both Eve Turner and Prudence Raper had musicians taking *Vahum* before embarking on *Spern in Aham*.

The problem in many cases was the second couplet. So often a brilliant beginning had crashed into bathos by line four. It is much more difficult to compose a memorable clerihew than to look. Perhaps the trick is not to try too hard for your punch-line but just let it come naturally of its own accord. Anyway, £30 each to all those whose clerihews are printed below. They are the joint winners.

CLERIHEWS CON BRIO

Pergolesi
Doesn't send me crazy
But he's a better composer
Than Cimarosa.

(Ambrose Streetfield)

Barriet with icy look
Told Berlioz to sling his book.
He then composed the *Symphonie Fantastique*



Dorian Gray by Michael Ayton

In utter pique.

(Rick Watson)

Benjamin Britten
Liked to have his ears bitten
By Peter Pears.
Poor old dears.

(B.I. Stratton-Ferrier)

The future of jazz got darker
With Charlie Parker.
It finally sunk
With Thelonious Monk.

(Philip Skelsey)

Beniamono Gigli
If he were feeling cigli
Sometimes went a bit wobble
When singing *La donna e mobile*.

(Mrs Jean Platt)

Elton John
Goes on and on
He's not so funny,
But oh! the money.

(Donald Lloyd)

Maria Callas
First signed for Crystal Palace
But they let her go
To Milano.

(Ken Turner)

Peter Cornelius
Was only a three quarters genius,
But his *Barber of Bagdad*
Wasn't half bad.

(Garfield Black)

de Silva, Brown and Henderson
With only their suspenders on
Danced in the street for joy
At writing *Sonny Boy*.

(Peter Marks)

Julian Bream
Dreamed a dream...
Lute stolen in Cuba
Replaced by a tuba.

(Alastair Norton)

FOR our second competition you were asked to send an extract from the obituary of any fictional character. The deadpan style of the obituarist - often skating on some pretty thin ice - is not difficult to mimic. Many of

the many attempts managed it all too convincingly.

Subjects for burial began with legendary and biblical figures such as the Devil, Methuselah ("... born into one of the oldest families on record... was just at the peak of his career" - Marius Szaifanaki) Achilles, Jonah, Grendel's Mother, the Ancient Mariner ("... although suffering from a withered arm, his eyes never lost their glittering power" - J.E. Smith).

King Arthur, Ulysses, Don Quixote, Brunahilde ("Following her husband's tragic death in a mugging incident, her name was romantically linked to that of Gaudier the Ghibling" - Anthony Lyman-Dixon). Gandalf, The Pied Piper ("In an inspired career move, he became a pest control officer for the Wessex valley" - Mrs H.C. Lee), The Wife of

Julian Bream
*Dreamed a dream...
Lute stolen in Cuba
Replaced by a tuba.*

Bath ("It is heartening to think that our sister's long battle with the Orthodontists is now over" - J. McCormick), were popular obituaries.

There were contemporary figures such as Adrian Mole ("Although only in his 14th year, Mole's perceptive analyses of family life and the strains implicit in modern marriage, minutely chronicled as part of his daily observations, will be immensely valued by future researchers" - D.A. Prince), Horace Rumpole and Lord Dixon of Bushy Park ("Popularly known as 'Lucky Jim' he made a significant contribution to the dissemination of higher education" - Peter Knight).

Characters from crime fiction were also popular candidates with Sherlock Holmes, hotly pursued by gravewards by Moriarty, Miss Marple, Poirot, Peter Wimsey, and several James Bonds. Shakespeare was a prime source. Lady Macbeth "was a legendary hostess. Dinner parties at Forres, begun

In fact, there was such a wealth of talent that the task of choosing the eventual winners was even more fraught than usual. However here goes - £30 each to those whose entries are printed below. They are joint-winners, and thanks to everyone for a splendid record-breaking entry.

RIP

SHYLOCK
Shylock was perhaps the most innovative financier of his time, and his influence put Venetian capital markets on a more regulated footing. In an era of speculative excess, when venture capital was frequently provided on an "old boy" basis, Shylock, a relative outsider, introduced loan financing by way of the fixed-interest bond. His creative flair, however, was seen to most effect in his novel penalty clauses, which gave the bondholder an exceptionally strong incentive to redeem the bond at the due date. These instruments became known as "junk bonds".

His career ended controversially, in the so-called "Balthazar Affair" (named after the famous disappearing barrister), when Shylock's commercial logic proved stronger meat than the business community of the day could stomach. There are many, however, who believe that his trial verdict was unsafe.

(Noel Petty)

CAPULET/MONTAGUE
The dangers of drug abuse have been highlighted this week by the tragic deaths of teenagers Juliet Capulet and Romeo Montague. Fourteen-year-old Juliet had apparently undergone a form of marriage to Montague against her father's wishes and she went into a coma as a result of a strong barbiturate, taken deliberately to feign death. Young Montague was unaware of her action and took an overdose. Upon waking from the coma Juliet took her own life. The role of the church in this sorry affair is somewhat dubious as it seems the drugs were supplied by churchmen. The Vatican has promised a full inquiry.

(Mrs A.D. Woodhouse)

MR DORIAN GRAY
The death has been reported of Mr Dorian Gray of Mayfair, the well-known bon vivant and patron of the arts. He was discovered by servants at home, apparently having suffered fatal injuries whilst attempting to repair a previously unknown portrait of a young man, possibly a relative. Although Mr Gray was well known in his role of aficionado of the theatre, opera and the art world, little was known about his background. Even his age was closely guarded secret.

(C.E. Hurst)

SIR WILLIAM BUNTER, KBE, MP
The death of the former Chancellor, Sir William Bunter, has shocked everyone, especially a surprising number who enjoyed a friendship going back to Oxford and even Greyfriars.

Throughout his comparatively short life he remained impressively optimistic, whether over an expected postal order or the green shoots of economic recovery.

Sir William's career was not without controversy, both trivial, involving tuck-shops and off-licences, and of more moment concerning the acquisition of public funds for private use, for example, when his probity was questioned, but always he contrived to extricate himself from a situation that might well, to a lesser mortal, have spelt disgrace.

(R.G. Snoxell)

CHRISTIAN
Our neighbour Christian will come no more amongst us. Owing to a burden on his back, he had some frenzy-disorder which drove him to seek a Kingdom where he would have a Crown of Glory and be clothed with Immortality.

We saw him afar fall into a slough, but he dragged himself out and passed through a wicket-gate. There were lions in the path, a foul fiend, Apollyon, a Fair wherein were many vain persons, and he in danger of execution, Death's shadowy Vale and Giant Despair's Doubting Castle...

After so vile a journey he crossed a deep river and thence came to a city filled with Trumpets and Harps and Streets of Gold. But he that hath told us of the Pilgrimage hath lately confessed "Twas but a dream". Christian is surely lying beneath those waters whither we have no stomach to follow him.

(K.P. Hopkinson)

MR S. GRUNDY
The premature death of Solomon Grundy was widely mourned by his many relatives and friends. His rapid and brilliant maturation was due to diet - a lesson to us all.

He was born on Monday, christened on Tuesday and remained a life-long Anglican. At an unusually early age, he was married on Wednesday. This was an enduringly happy union, despite adverse comment from some sections of the press.

An obscure disease overtook him on Thursday. His condition worsened on Friday. Every effort was made to save him, but he died on Saturday. Full of honours, he was buried on Sunday.

He is survived by his childless widow.
Beatification is in progress.
(A.G. Cheston)

Art for rich and poorer

THIS WINTER has seen the launch of two new series of decorative arts books, impressive in quite different ways. A massive 30-volume survey of the arts of Islam opens with three opulent volumes on Qur'ans, *The Abbasid Tradition*, *The Master Scribes* and *After Timur*, intelligently produced and sumptuously illustrated (Azimuth Editions in association with Oxford University Press, £135 each). This exceptionally ambitious, and heavily subsidised, series catalogues the entire 20,000-piece collection of Dr Nasser D. Khalili - at a cost of £5m.

At the other end of the financial scale is Walker Books' delightful new *Decorative Arts Library*. Boris Rillier offers an entertaining romp through *Early English Porcelain*, unable to resist including the tale of the Blake family who ordered a dinner service from China decorated with their coat of arms. When the porcelain arrived they discovered that on every piece their family motto, Think and Thank, had been painstakingly rendered Stink and Stank.

Laurence Whistler contributes *Point Engineering on Glass*, Emma Tennant *Rag Rugs of England and America*, and Alan Powers *Modern Block Printed Textiles*. These attractive small books cost £9.99 each.

Anna Maria Massinelli and Filipp Tuona have achieved on paper what would be seventh heaven in an exhibition. *Treasures of the Medici* (Thames & Hudson, £24.95) re-unites the fabulous jewels and *objets d'art* amassed over 300 years by 10 generations of Medici bankers who were the unofficial royal family of Florence. For Lorenzo the Magnificent, the 5th century of whose death this superbly illustrated book commemorates, his antique cameos and sardonyxes were of incomparable greater value than any painting by Fra Angelico or Botticelli.

Monique Riccardi-Cubitt's compendious *The Art of the Cabinet* (Thames & Hudson, £26) offers a history of the cupboard or cabinet in which such precious curios were housed. Furniture plays an important role in Alexander von Varnhagen's illuminating *Czech Cubism* (Laurence King Publishing, £40). This fascinating journey into hitherto uncharted waters reveals how a group of avant-garde architects in Prague translated the art of Braque and Picasso into a new - almost angrily animate - formal language of architecture and the applied arts, characterised by sharp angles, cut-off corners and boldly sloping planes.

Five books on the 19th century focus on the forgotten and the familiar. Poul Vad presents a welcome biography, the first in English, of one of the most remarkable and individual painters of the 19th century, *Wilhelm Hammershoi and Danish Art at the Turn of the Century* (Yale University Press, £45) is a sensitive and scrupulously researched book, illustrated by a lamentable translation. The author has uncovered a great deal about the life of this most private of painters but perhaps devotes too much space to lengthy analyses of individual works.

Janis A. Tomlinson's *Goya in the Twilight of Enlightenment* (Yale £29.95) is a complex and sophisticated book that attempts to cut through the Goya myths and to examine afresh a great painter's achievement against the historical background that so profoundly affected it. Far more

straightforward is the handsome *Degas Pastels* by Jean Sutherland Boggs and Anne Maheux (Thames & Hudson, £45).

Degas also takes a bow in *Beyond Impressionism - the Naturalist Impulse in European Art 1880-1905* by Gabriel P. Weisberg (Thames & Hudson, £28) but he plays only a bit part in this truly international resurrection of dead reputations. This is a glimpse through the looking-glass into a world where Bastien-Lepage - not Manet, Monet or Cézanne - is king. A long overdue alternative history of 19th century European art.

Charlotte Gere's *Nineteenth Century Interiors: An Album of Watercolours* (Thames & Hudson, £28) is a record of what must have been a delightful show at the Frick Collection, presenting over 80 faithful views of European interiors from the grandest to the most humble.

Now that *annus horribilis* has drawn to a close, the present owner may well console herself by curling up with Christopher Lloyd's *The Royal Collection* (Sinclair-Stevenson, £25), a fuller-bodied version of what has proved to be an admirably lucid and un gimmicky television series.

March - *Charlotte Sometimes* by Penelope Farmer (The Bodley Head, £8). A school story in which Charlotte, a new girl at her boarding school, is projected back to time and finds an unexpected soul-mate.

April - *I Saw Esau* edited by Iona and Peter Opie (Walker Books, £9.99). A collection of school rhymes, some dating back many centuries, illustrated with gusto by Sendak.

May - *Burning Essay* by Melvin Burgess (Andersen Press, £5.99) Which threatens the stability of a local community in 17th-century Lancashire.

June - *A Bone from a Dry Sea* by Peter Dickinson, (Gollancz, £10). An intellectually challenging mingling of past and present: an archaeological dig in present-day Africa; the dawning of consciousness of a tribe of humanoids...

July - *So Far from Sky* by Judith O'Neill (Hamish Hamilton, £8.99). A historical novel, set in the 19th century, that describes the forced emigration of Gaelic-speaking families from Scotland to Australia.

August - *The Magnificent Callisto* by Gerard Benson, (Blackie, £5.99). An excellent first collection of children's verse: urban poems; puns; animal verse; Lear-like nonsense.

September - *The Invaders* by John Rowe Townsend, (Oxford, £8.95). A small, isolated island community is under threat from terrors of the present.

October - *The Great Elephant Chase* by Gillian Cross (Oxford, £8.99). A hectic journey across America with a circus elephant.

November - *J.M. Barrie's Peter Pan* presented by Eleanor Graham and Edward Ardizzone (Hodder and Stoughton, £12.99) Peter Pan re-told in novel form for children of six and above.

December - *The Arabian Nights* by Brian Alderson, illustrated by Michael Foreman (Gollancz, £14.99) Timeless tales of magic and wizardry in a freshly accessible form.

Hungarian feast

THE translated English (by Imre Goldstein) of George Konrad's *A Feast in the Garden* (Faber and Faber £14.99, 395 pages) is rich and lively. This work is copious in every way, a *magnum opus* by one of Hungary's leading authors here, as he puts it on his second page, "sentenced to examine myself. To dissect myself in the morgue of my own conscience." The analysis is complex and difficult, full of vigorous reflections on fiction

and morality, and takes the form of a kind of phantasmagoric symposium in which the author and the central figures of his world gather at a feast in his Budapest garden re-live, each in his or her own person, their lives as affected by the Nazi occupation of Hungary. Much of it is harrowing, yet the overall mood is life-affirming, and Konrad is able to luxuriate in his book's ingenious and prismatic structure.

Paul Driver

TELEVISION
SATURDAY

BBC1

7.30 Champion the Wonder Horse. 7.25 News. 7.30 Christopher Crocodile. 7.35 Animal World. 7.40 Quick Draw McGraw. 7.50 Ltr. Bisc. 8.15 Quickdraw. 8.25 Peter Pan and the Pirates. 8.30 Gons Live! 10.45 Film: Lassie: The Road Back.

12.00 Cartoon Double Bill.

12.15 Weather. 12.15 Standstill. Introduced by Steve Rider. Including 12.20 Football: Bob Wilson and Gary Lineker preview the FA Cup third round.

1.00 News. 1.10 Racing from Newbury. The 1.05 Challow Hurdle.

1.20 Cross-Country: The Durham International. Successful runners including Steve Gray and American World Champion Lynn Jennings take part. 1.35 Racing: The 1.40 Ladbrooke Racing Welfare Handicap Hurdle. 1.50 Cross-Country: Further action from Durham. 1.55 The 2.15 Manderin Handicap Chase. 2.25 Cross-Country: 2.25 Rugby League: Live coverage from the first semi-final of the Regal Trophy. 3.45 Football: Live second-half coverage. 4.35 Final Score. Times may vary.

5.15 News.

5.25 Regional News and Sport. 5.30 Bruce Forsyth's Generation Game.

6.30 Noel's House Party. 7.25 The People's Magic Show. 8.15 Casualty. Duffy gets a nasty shock when a new consultant, who has replaced Julian, shows up - he turns out to be a former lover. Poor old Ash has problems of a different kind as he struggles desperately to come to terms with his girlfriend Nikki's pregnancy. On top of his financial hardship, it's a prospect he finds terribly worrying. Starring Cathy Shipton, Derek Thompson, Patrick Robinson and Imogen Boorman.

9.05 News and Sport. Weather. 9.25 Film: We're No Angels. Sean Penn stars as escaped convict who takes refuge in a monastery and disguises himself as a priest. The scene is set for a series of comic misadventures as he adapts to their new lifestyle (1992).

11.05 Match of the Day. Desmond Lynn introduces highlights from the FA Cup third round, and goals from the day's other matches.

12.15 Darts: World Championship. 1.10 Weather. 1.15 Close.

BBC2

8.00 Open University. 8.05 Film: Neil Gwyn. 10.15 It's That Man Again. 10.45 The Hermit of the Kitchen. 11.15 The Strange Affair of Frankenstein. 11.45 Shik the Red Fox. 12.15 Film: Hue and Cry.

1.30 Joseph and Child. Discussing Arthur Doyle's sculpture which shows Joseph holding the child he has helped deliver.

1.50 Network East. 2.20 Tanhaiyan (English subtitles).

3.00 Film: Brothers in Law. Ian Carmichael stars with Terry-Thomas and Richard Attenborough (1957).

4.30 Film: Midnight Lace. Starring Doris Day (1960).

6.15 Darts: World Championship. 7.10 Natural World Trail. Previewing the new season of BBC2 wildlife programmes.

7.15 News and Sport. Weather. 7.30 Bystander. The European premiere of composer Sir Michael Tippett's recent work Byzantium, recorded in 1991.

8.15 London Weekend: Siskin's London. A day in the life of London, as seen through the paintings of British artist William Sickin. The programme, which opens BBC2's London Weekend evening coincides with an exhibition of Sickin's work at the Royal Academy, Music by Jools Holland.

9.05 The Vampyre - A Soap Opera. 9.25 The People's Magic Show. 8.15 Casualty. Duffy gets a nasty shock when a new consultant, who has replaced Julian, shows up - he turns out to be a former lover. Poor old Ash has problems of a different kind as he struggles desperately to come to terms with his girlfriend Nikki's pregnancy. On top of his financial hardship, it's a prospect he finds terribly worrying. Starring Cathy Shipton, Derek Thompson, Patrick Robinson and Imogen Boorman.

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LWT

8.00 GMTV. 8.25 What's Up Doc? 11.10 Rating Hero.

1.00 Movies. Movies. Movies. Reviewing the most popular films of 1992. Including the best films, videos to rent and buy, popular TV shows, and music on video.

1.30 ITN News. Weather. 1.35 LWT News. Weather. 1.40 The ITN Chart Show. 2.40 Film: Never a Dull Moment. Dick Van Dyke stars in this Disney slapstick romp about a failed actor who is mistaken for a notorious gangster. Also starring Edward G. Robinson (1967).

4.25 Cartoon Time. 4.40 ITN News and Results. Weather. 5.00 LWT News. Weather. 5.15 Cartoon. 5.30 Stars in Their Eyes: Elvis Special. 6.30 Film: Baywatch the Movie: River of No Return. 9.05 It's Be Alright on the Night 7. 10.15 Noddy Noddy takes another stroll through the little-known archives of film and TV out-takes. 9.05 PO James' Unnatural Causes. Roy Marsden stars as Odr Adam Delglish in this twisted tale of love and crime. While investigating a multi-million dollar counterfeit cash scam on the Suffolk coast, Delglish is drawn into a macabre murder case. 11.05 ITN News. Weather. 11.25 LWT News. Weather. 11.25 Film: Under Fire. Nick Nolte and Gene Hackman star in this action drama which follows the relationship of three war correspondents in the incident of the Vietnam War in North Vietnam. Action drama, also starring Joanna Cassidy and Ed Harris (1982).

1.45 Film: The Suicide Murders. A private detective investigates the mystery of a spate of suicides. Could the victims have been murdered? Crime drama, starring Saul Rubinek and Kate Trotter (TVM 1985).

3.40 Film: Out of the Darkness. True-based murder drama, starring Martin Sheen as a New York detective determined to bring a brutal serial killer to justice. Also starring Hector Elizondo (TVM 1992).

5.20 Get Stuffed Christmas Special.

CHANNEL4

6.00 Early Morning. 8.00 Tony Jackson's Pro-Celebrity Golf. 11.00 The Lone Ranger. 11.30 World Angling Championships. 12.30 pm American Football: Play Action.

1.00 Sign On News. Sign On. Previewing topics of interest for deaf people in 1993. Plus, a review of 1992. With sign-language and subtitles.

2.00 Film: Love Me or Leave Me. Doris Day stars in this biopic about the life of famed 1920s singer Ruth Etting, with James Cagney as the gangster who masterminded her career (1955).

4.15 Reanimating Art. Art Babitt, animator of many classic Disney films, talks about his creations. He demonstrates his animation techniques and recalls working in the Disney studios in the 1930s and 1940s.

5.05 Brooklyn. 6.30 A Sense of History. Tragicomic sport documentary written by and starring Jim Broadbent. The 23rd Earl of Leicester recounts his life story, but his memories take a bizarre turn as he recalls his murder of his wife, children and brother. News. 7.00 A Week in Politics Special. Special edition refracting the dramatic story of the summer's Sterling crisis, when Britain was forced to leave the Exchange Rate Mechanism. Journalists and commentators who were close to politicians, officials and bankers involved in the incident recount exactly what happened and discuss what alternative policies might have been used. Presented by Andrew Rawnsley. 8.00 Stephen King's Golden Years. 9.50 Drop the Dead Donkey. Festive episode of the Emmy-winning political comedy, starring David Swift and Jeff Rawlings. 10.25 Technic Films. Film adaptation of Robert LePage's stage play about the French-Canadian painter Madeleine. Marie Cignac plays the artist, whose offbeat tale mixes fantasy with reality, while the spirits of Jim Morrison, Oprah Winfrey and Shakespeare's character Ophelia offer their advice. 12.25 American Football: Play Action. 1.35 Film: Godzilla vs. Megalon. Lively monster caper. Godzilla comes to the rescue when Earthlings are threatened by a giant cockroach and a massive chicken (1973).

3.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

AROLIA: 1.25 Anglia News. 5.00 Anglia News and Sport. 11.25 Anglia Weather.

BORDER: 1.25 Kix Off. 1.35 Border News. 2.40 Granada Sports World. 5.00 Border News and Weather. 5.15 Sports Results.

CENTRAL: 1.25 Central News. 5.00 Central News. 5.05 Central News.

CHANNEL: 1.25 Boreas. 5.00 Channel News. 5.05 The Making of Full Stretch.

GRAMP: 1.25 Grampian Headlines. 5.00 Grampian Headlines. 5.05 Winter on Grampian.

GRAND: 1.00 Kix Off. 1.35 Granada News. 2.40 Granada Sports World. 5.00 Granada News. 5.15 Granada Goals Extra.

HTV: 1.25 HTV News. 5.00 HTV News and Sport. 11.25 HTV Weather.

HTV Wales as HTV except No variations.

MERIDIAN: 1.25 Meridian News. 5.00 Meridian News. 5.05 The Making of Full Stretch.

SCOTTISH: 1.25 Profile. 1.35 The Great Race. (1965). 4.00 Scotland Results. 5.10 Scotland Today. 11.25 Scottish Weather.

TYNE: 1.25 Tyne News. 5.00 Tyne News.

ULSTER: 1.25 Ulster News and Sport. 5.00 Ulster News and Sport. 5.10 Goals of the Year.

WEST: 1.25 Westcountry. Weekend Latest. 5.00 Westcountry Weekend Latest.

YORKSHIRE: 1.25 Calendar News. 5.00 Calendar News. 11.25 Calendar Weather.

3.40 Wales as Channel 4 except:

6.00 Early Morning. 10.00 Tales of the Night. 10.30 Junior G. 11.00 The Year 1992. 5.30 Balcony. 5.30 News. 5.30 Newyddion Nos Sadwrn. 5.30 Bala. 5.30 Haul. 5.30 Yn Y Gwlad. 5.30 Teym Teym. 5.30 Bob A Dic Yn Ewrop. 11.55 Nightingales.

CHESS

MICHAEL ADAMS, 21, completed an impressive year just before Christmas when he retained the Leigh Interests Grand Prix, the UK congress individual championship. Newly established as England No 2 after Nigel Short, he scored 6/5 in the final Leigh event, the Islington Open at the Barbican Centre.

Adams and the runner-up, Julian Hodgson, have dominated the Grand Prix and the one-day and weekend circuit for four years. Opponents fear their skills in the once rare opening 1 d4 Nf3 2 Bg5? whose popularity has surged.

Hodgson's new booklet Trends in the Torre and Trompowsky (Trends Publications, £3.95, details from 0273-304796) analyses the Trompowsky 2 Bg5 and its calmer Torre version 2 Nf3 e6 3 Bg5, both named after Latin American masters of the 1930s. Hodgson writes: "An opening where you are almost out of theory on move two has come as a well-needed relief to many players."

One optimist at Islington confronted Adams with his own weapon. This can be good psychology, but here White becomes confused, with fatal results (M. Wickert, White; M.

Adams. Black; Trompowsky; Islington 1992).

1 d4 Nf3 2 Bg5 Ne4 3 Bf4 e5 4 d5 Qb6 5 Nc2 Qxd2 Adams's choice is consistent with Hodgson's booklet, where 6 Rb1f6 Nxe4 Qb4+ 7 Qd7 7 Nxe4 Qxd2 is judged a critical line. 6 Nf3? Nc3 7 Nc4? 7 Qe1 is necessary, though after Qc1+ and Nxe2 White is two pawns down. Nxd1 8 Resigns.

Judit Polgar, 16, the world's best woman player is competing at the Hastings congress. Chess No 955

White mates in two moves, against any defence (by J. Hartong, 1922).

Solution Page XIV

Leonard Barden

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Solution Page XIV

BRIDGE

MY HAND today comes from Master Pair:

N
AK64
A754
KJ74
A

W
QJ108
Q932
8
10963

E
88
53
KQJ87542

532
KJ10
AQ10962

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EVERY New Year brings with it a curse, and it is always the same one: the curse of New Year forecasts. The nation's stage army of pundits forms a queue to tell us what will happen to the stock market, which world leaders will be up, and which down, where house prices will be a year from now, and all the other matters beyond our control. It is dross, from first to last. The only advantage is that we do not have to read any of it, and can save dramatically the amount of time we spend reading newspapers.

We can be sure of one other thing: the forecasts will be over-optimistic. Last year not one of our leading economic forecasters predicted that the British economy in 1992 would continue to shrink. While the Treasury's own predictions were notably hubristic, inde-

What astrologers don't know

Dominic Lawson offers a New Year prediction: most pundits will be wrong again

pendent pundits scarcely covered themselves in glory. This, at least, was entirely predictable: human nature is optimistic, and in the 20th century this has been translated into a passionate conviction that every succeeding year must bring progress, that our civilisation can only wax, never wane.

It is in any case an artifice to assume that the affairs of man move in yearly cycles - the only objective difference between December 31 and January 1 is that one is a bank holiday and the other is not. More particularly, the Gregorian calendar bears no particular relation to the earth's cycle. Our New Year comes in the middle of winter, when nature is still deep in

hibernation. Since the Church of England has broken conclusively with the world-wide Catholic Church by declaring that women shall be priests, it might as well go the whole rationalist hog and break with Pope Gregory's calendar. Then we could celebrate the new year on an agreed first day of Spring, along with the birds and the bees.

This is not, I hasten to add, an appeal to move to a calendar based on the astrologers' system of planetary and solar influences. I am at least at one with the Pope in his anathematising of astrology. If not his declaration that to follow those spurious charts is a mortal sin.

In the tide of forecasts that wash over us each new year, the astrolo-

gers' predictions represent the scummiest flotsam and jetsam, horoscopes and detritus. I find it depressing that the *Daily Mail*, probably the most influential newspaper in Britain, should have devoted its centre pages for most of the past week to promoting the claims of a bald, bearded astrologer called Jonathan Cainer, who says he has developed something called "Astroanalysis" - a unique new way of seeing what the stars hold.

Cainer previously predicted the futures of the 1m or so readers of *Today* newspaper, now tells the considerably more numerous readers of the *Daily Mail* that "1993 is the year that will change your

life." This is because 1993 will see "Neptune and Uranus meet in the sky for the first time in nearly 200 years - a rare and important conjunction which has the potential to change our world dramatically."

I am particularly interested in his predictions for Capricorn (December 23 to January 20): "So much has changed in your home life you no longer feel sure where your personality ends - and where your need to be all things to all people begins."

My daughter was born a week and half ago, on December 23, and unlike Cainer, I have no idea what her character is. Had she been born a day earlier, she would have been a Sagittarian, just like her dad,

another Sagittarian. It is just as well we didn't have her induced. It would be wrong to think that astrology columns are the province solely of the tabloid newspapers. Superior glossy magazines, such as *Vogue* and *Harpers and Queen* have them. So too does the supposedly serious *Sunday Times*. Indeed, recently I received a letter from the *Sunday Times* astrologer, offering to explain to me the higher points of her art. Apparently something had told her that I was about to publish in *The Spectator* the sort of article about astrology which might have brought her "profession" into disrepute. On this occasion, I am afraid, her charts have let her down.

I have one question for her. Why do astrologers base their charts on the moment of birth, rather than the moment of conception? After all, that is when the earth is really supposed to move.

■ Dominic Lawson is Editor of *The Spectator*.

Bad news guys

Michael Thompson-Noel



MISS LEE, my executive assistant, was in fine form on New Year's eve. We put on paper hats, lit the pink candles, and had partridge and raspberries. Then we repaired to

the sitting room, to await the chimes of midnight. To pass the time, I fiddled through a book about multiple universes. Apparently there is an infinity of universes. They pop out of nothing.

While I was wrestling with all this, Miss Lee had picked up a copy of *The Journalist's Handbook* which was lying around, and was flicking through it impatiently. She was looking particularly beautiful: a smart type of frock, \$400 shoes, hair nicely twirled, endearing crimson lipstick.

She started to laugh throatily. I asked about the cause.

Miss Lee said: "I am reading an article by this creature Peter Fiddick which poses the question: 'Can a 24-hour rolling news service on the BBC be justified? Is there enough news?' Fiddick has his doubts. Regales us with them. In the limpet way imaginable, he wonders whether there is enough news to sustain listeners' interest on a round-the-clock basis."

"What this creature doesn't realise is that most of humanity's problems can be ascribed to an excess of media. There are far too many journalists, all of them batten on leech-like on what is a finite supply of news. It is my opinion, Michael, that most of our problems in 1992 were exacerbated by the media - not exactly caused by them but fanned and enflamed out of all proportion."

"Take John Major and Norman Lamont. Perfectly decent men who have been ridiculed for doing their best to wrestle with problems not of their making. How can Major and

HAWKS & HANDSAWS

Lamont be held responsible for German foolhardiness or the global debt splurge?

"Or take the royal family. Look how the Queen and her hapless children were singled out in 1992 for remorseless persecution. All families have their problems. That is only human nature. But when Windsor Castle burned to the ground, the media gloated - virtually suggested she rebuild it herself. When the Queen offered to pay income tax, the media speculated on the scale of her liabilities. When her children's marriages encountered minor difficulties, the media snooped and eavesdropped and bounded them unforgetfully."

"If you examine the world's problems in 1992, you will see that most of them were local difficulties that would have blown over if the media hadn't latched on to them. When real news dries up, they feast on each another. Look at the attention paid this week to Britain's commercial television network. Who cares a matchstick for ITV? It is a haven for minor talent. It is there to sell dog food. End of story."

"Or take the tabloid press. Any one with four brain cells knows that the tabloids are written and commissioned by menopausal men with severe sexual hang-ups and chips on their shoulders. So let them get on with it. If the quality newspapers would deny the tabloids the oxygen of publicity, the tabloids would soon be read only by inmates of prisons and people in the Navy. There are far too many newspapers. Britain could easily get by with one pink broadsheet and one white broadsheet."

"But which white broadsheet?" I asked.

"Certainly not *The Times*. I used to be fond of it. Its last editor had knocked it into shape. But then along comes this Peter Stothard creature. Swans in from nowhere. Fires two dozen journalists. Tosses the whole thing in the air and rearranges it so that none of us can find our favourite columnists or features. There is an interview in here" - she brandished *The Journalist's Handbook* - "in which this creature seeks to justify his actions, but he doesn't fool me. What could be his problem?"

"Insecurity," I said. "You must remember, Miss Lee, that Stothard is a Murdoch editor. Can you imagine what hoops of ice constricted his brain and heart when Murdoch rang him from LA and appointed him editor? Must have been a nightmare. He deserves our deepest sympathy." Suddenly I felt maudlin. The clock was close to midnight. "This is a weary, wracked planet, Miss Lee. We must learn to hold our tongues, learn to stay our hands. Our planet is bleeding. It is crying for our sympathy. We are alone in the universe. We must love one another. Let us start with this Stothard creature and take it from there."

Private View/Christian Tyler

The man who broke the Bank of England

WHEN A man makes so much money that he can afford to give away \$250m it is no surprise to learn he has a theory about life.

George Soros, the Hungarian fund manager who broke the Bank of England in September and gave the Bosnian Muslims a \$50m (£33.8m) Christmas present, is rather different. Not only is he one of the most successful financial speculators in history but in his case the theory came before, not after, the money-making.

Soros is a frustrated intellectual who once fancied himself a new Keynes or Einstein. As a youth in Nazi - and then Communist - Budapest, he was plagued by the philosophical problem of the subjectivity of human perceptions. He

is more of an approach than a scientific hypothesis, let alone a general theory. But he says it provides the connection between the way he makes money and the way he dis-burses it.

In human relations - in social science, economics - objectivity is a mirage and disequilibrium the natural state, he argues. Markets cannot properly discount the future because ideas about the future are biased. The value of collateral is changed by the fact of the loan against it. In other words, beliefs alter facts. This perception, Soros says, helps him both to make money and to target his donations in a way that will influence history in eastern Europe and Russia.

"My financial and philanthropic activities are based on the same philosophical idea about the rela-

George Soros is a speculator. He bet heavily against ERM and won \$2bn. Now he is giving the money away.

tionship between participants' thinking and the situation in which they participate," he explained.

Soros predicted the 1987 stock market crash but lost \$800m, a third of the fund's then value, by wrongly calculating that the crash would start in Japan. Last September he netted perhaps \$2bn when he bet massively against the European exchange rate mechanism. Since 1978 he has spent some \$100m to create his Open Society Fund, Soros Foundations and Central European University throughout the former Communist bloc. Another \$100m went recently to support Russian science.

I asked him: is it harder to get rid of money than it is to make it? "In my case it is."

"It seems to take more time and more energy. In making money you have a bottom line which gives you a pretty firm measure of success. But when you are trying to influence the shape of society you don't have a bottom line; and given that all actions have unintended consequences you certainly cannot measure success by the amount of

money you give away - because that money can easily be wasted."

So what yardstick do you use? "When I was confronted with closed societies the goal was simply to foster pluralism, to enable people to do things which were not centrally determined but autonomous and spontaneous. So we made small grants over a broad range. 'The idea was very simple: that if you expose a dogma to alternatives, it will crumble, because it will be seen to be false once you have something to compare it with. That was the first phase."

"Then came the hard part. Because when the Communist system collapsed you then had to engage in a much more laborious and in many ways boring process. You had to select key areas: the emphasis has been on education, institution-building and the media, though there are arts programmes and other things."

So you won't buy into bus factories?

"Not at all - no investments. In fact, I consider it a conflict of interest."

This was the philosophy, but it

did not fully explain the motivation.

George Soros agreed that he did not set out to make millions in order to do good works. The careers were consecutive: he went through a sort of crisis which ended with him delegating the fund management.

"By the end of the 1970s I was beginning to make more money than I thought I had a use for in my personal life. So I started thinking about what to do with it. I thought pretty hard and decided that what I cared about was this open society."

"It was a complicated psychological development. For me making

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Tinker, tailor, soldier, currency speculator

continued from page 1

Slyde was not like them. He had a face like a young crocodile, and a nose for business.

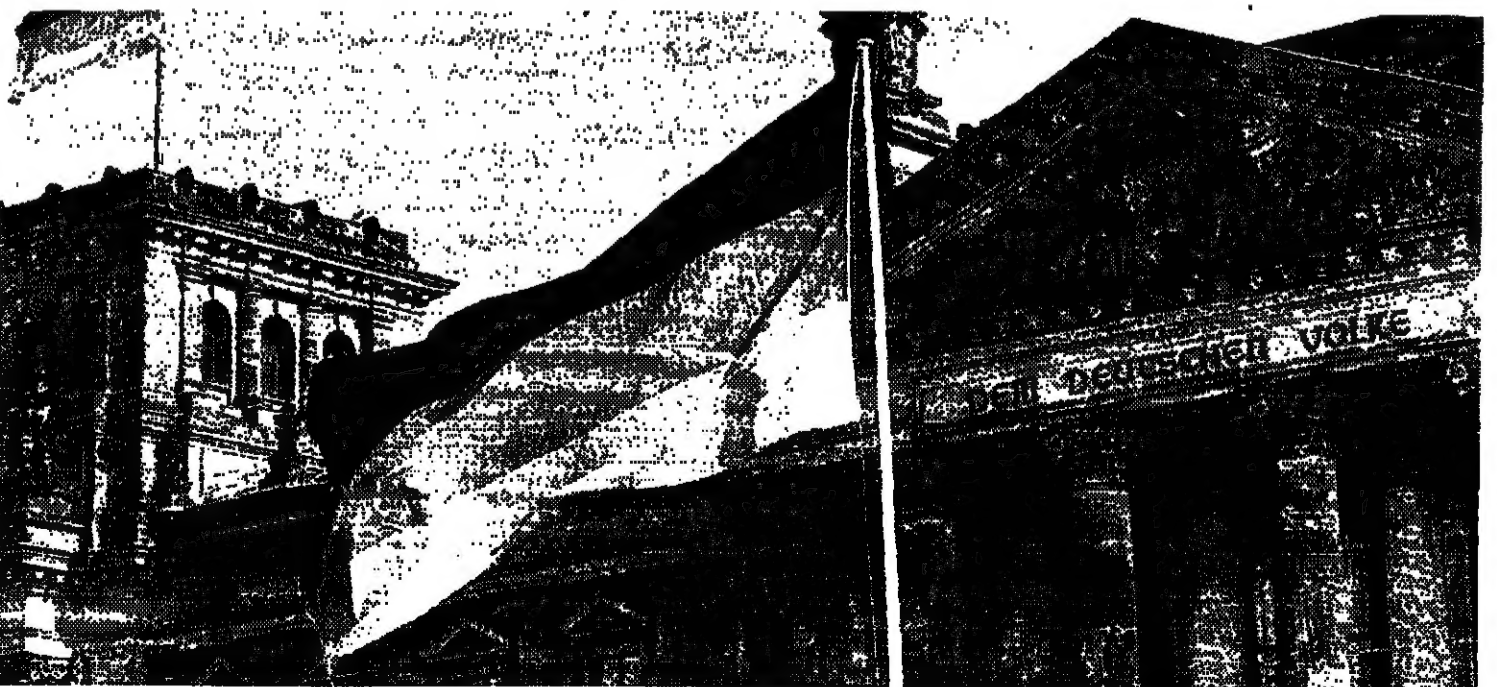
Slyde had made his name in privatisation. English banknotes, with the new dragon motif, were now printed in Hong Kong. What in the name of Montagu Norman was Slyde doing here?

On his ultra-sonic intercept, Rathbone strained to pick up the conversation. Von Stabill's accented words sent fear jangling through him. "We are so pleased, Mr Slyde, that you agree our little plan. We sell all our English government bonds. The Commonwealth join us. Sterling sinks. We offer a conversion rate. 1 Mark for 35 English pounds. You will have a seat on the board! At last, true Europeans you will become! Your interest we have it, in our hearts!"

Von Stabill's eyes glistened, a sea of cunning; his words took on a pantomimic ring. "The time, Mr Slyde, we must fix. I opine: January 6!"

Rathbone reeled. That day, the markets would be preoccupied by the Wise Men's annual report. Central planned to take over the pound! To force England into monetary union! To think that Slyde would descend to this treachery!

Suddenly, a wiff of camphor told Rathbone he was no longer alone. D'Exchange appeared in the doorway, flanked by Sellem Lowe, cen-



Reichstag 2002: Europe's money masters meet under German leadership to plot England's final defeat

tral's chief trader, hired from the City's vilest currency pits.

"My dear Rathbone," intoned D'Exchange, "You are well beyond your limits. At this stage, intervention is obligatory!"

Rathbone winced at D'Exchange's nasal drawl. "Lowe, deal with him!" Grinning, Sellem drew his con-

cealed hedging instrument. Crude. But highly effective. Rathbone was aware of mist descending, as suddenly as the stop of a heartbeat.

■ ■ ■

The throbbing became less insistent. He was in Swapp's Bar. His old

haunt, run by Karl Swapp, an ex-Polski Bank man, whose corpulent frame Rathbone could now discern, oozing like a flow of lava from a battered armchair.

Sum must have dragged him here with the aid of Marginali, the southern bank chief with a reputation for instability. Rathbone recog-

nised the usual crowd. There was Vendor, the out-of-work Belgian bond salesman. Bleache, the sallow money laundering expert. Window, the Nederlandsche Bank functionary whose all-too-open discounting facilities had caused such trouble! Swapp rolled over. "You hat problems, Mr Rathbone?" he inquired. "I

know these central bankers, they all same. Since they left gold standard, they drifting."

Swapp spat: "Zey want to get you down! To discredit you! Zey want to crush your value!"

Weakly, Rathbone tried to realign his thoughts. He could try to make the Embassy at Karlshorst, but the road would be under multilateral surveillance. He could call up the old allies in Washington, but, of late, Reserve had turned to reluctance. He must get on to Slyde! But a stifled scream from Sum told him: again, too late!

"You always were a fool. Rathbone," the chief executive purred, striding into the dive, flanked by pink-coated henchmen. "Of course, we do not act alone. I am no more independent than the rest of them here. I was on the phone to the government at Blenheim Palace this morning. Do not believe the wording in the treaty. We all take instructions!"

Rathbone's brain flicked through all the training manuals he had ever read. If there was a time for a U-turn, this was it! He pictured Sum beside him at the Bank's safe house at Roehampton. All thought of rebellion ebbed away. He took the girl's hand, and led her from the bar. No-one intervened.

Outside, the traffic stilled. The countdown had already started. At least, they would never have to worry about exchange rates, any more.

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